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ABSTRACT

This document was prepared in response to the 1973 Minnesota legislature request to "prepare a detailed plan for a fiscal accounting and reporting system of program expenditures for elementary, secondary, and area vocational schools." The plan addresses the organizational and procedural changes, financial resources, and time necessary to implement a computer-based financial accounting system using multidimensional account structures. This plan is based on the current status of financial accounting and on proposed access to regional data processing capabilities for all districts in Minnesota. The summary of the proposed accounting system is included in the plan. A separate document describes the Uniform Financial Accounting and Reporting System (UFARS) to be implemented. (Author)

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THE
IMPLEMENTATION PLAN
FOR THE UNIFORM FINANCIAL REPORTING SYSTEM
FOR MINNESOTA SCHOOL DISTRICTS

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MINNESOTA DEPARTMENT OF EDUCATION
ST. PAUL, MINNESOTA 55101

NOVEMBER 15, 1974

EA 007 254

THE IMPLEMENTATION PLAN
FOR THE UNIFORM FINANCIAL REPORTING SYSTEM
FOR MINNESOTA SCHOOLS

IN ACCORDANCE WITH

LAWS 1973, CHAPTER 683 SECTION 22

BY

RONALD E. MOIR

NOVEMBER 15, 1974

UNDER CONTRACT WITH

THE MINNESOTA DEPARTMENT OF EDUCATION

550 CEDAR STREET

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EXECUTIVE SUMMARY

The 1973 Legislature required that the Department of Education prepare a detailed plan for a fiscal accounting and reporting system of program expenditures for elementary, secondary and area vocational schools. This plan, and the supporting appendices, are submitted to implement the requested financial information system.

The existing basic state standards for reporting financial and accounting information date from 1952. Modifications and additions to accounts and funds have been made (particularly in the last 8 years), but the basic accounting structure is obsolete as it does not follow current accounting and reporting practices, does not have the capability needed to provide cost information by program category or school and does not meet the more sophisticated financial and management control requirements of many local districts. For these reasons, the plan details an entirely new accounting and reporting system (See Chapter II for a summary of this system and Appendix B for details).

Within the last five years, many of the medium-to-large size districts (mostly in the Metropolitan Area) have implemented modern, computer-based financial management systems for their use. All of the systems have similar reporting capabilities, have proven their practicability in operational use and inherently have the flexibility and capabilities to meet the reporting requirements stated by the Legislature. About 35 districts (including many using TIES) serving over 50% of the pupils in the state are using these systems currently.

A group of school business officials and accountants with experience in these systems assisted the Department of Education in developing the new system on which the implementation plan is based. The membership and activities of this group, the Reporting Standards Committee, is described in Appendix A.

The proposed system, known as the Uniform Financial Reporting System (UFRS), has the following characteristics:

1. Establishes standardized codes and account definitions for expenditure, revenue and balance sheet accounts that;

   a) Meet the Legislative requirements for reporting expenditures by school, level of instruction and program category.

   b) Provides enhanced budgeting, accounting and financial management controls for local school district operational use.

   c) Provides a means to match program expenditures and revenues by source of financing.

   d) Describes a "catalogue" of financial accounts that will serve a broad spectrum of departmental requests for financial information from the schools as a by-product of the districts' accounting process.

   e) Is structured to meet basic financial reporting requirements of federal programs and Office of Education requests, also as a summary by-product of the accounting process.

f) Provides an improved basis to integrate accounting reporting and auditing requirements that will result in less effort on the part of the districts to provide more accurate and better detailed financial information for themselves and for higher level reporting.

g) Continues development of a data base, available to both the districts and the state, that will enable the correlation and reporting of statistical data already collected with new financial data on programs and schools to reduce total reporting effort.

2. Requires uniform methods of accounting on a modified accrual basis (replaces the current cash basis of reporting).

3. Is based on known and proven computer software to be installed in several computer centers to serve all the districts in the state.

The Implementation Plan addresses the following conditions and requirements:

1. Requires that the Minnesota Education Computer Consortium (MECC) initiate the proposed regional centers to provide administrative computer processing capabilities for all districts in the state by January 1, 1977. Smaller districts would be served by mail, other districts by use of terminals.

2. Establishes a multi-year time table required to realistically implement a financial management system (new to most districts) that produces new state financial reports (new to all districts and the state users).

3. Describes 11 major tasks involving many users of financial information within the State Department, computer systems support activities at the state level, the MECC central staff, both new and existing MECC regional data processing centers and the State Auditor. The overall management of this implementation requires a major effort by the State Department of Education.

4. Identifies budgetary costs (over and above current MECC and SDE requests) necessary to develop, implement and install the UFRS in the planned time scale.

The earliest possible date for converting all districts in the state to the new financial accounting and reporting systems is August 1978. The most likely date is August 1979. The availability of state-wide financial reports of costs by school and by program requires the following:

FY 1974-75; Continued refinement of the reporting standards and planning for the establishment of the regional centers and installations of the districts. Supplemental UFRS appropriation - $10,200.

FY 1975-77 biennium; Installation of the 5 outstate regional centers, conversions of most of the school districts not presently served, development of inservice training for all districts and users, development of software for use at the Department of Education and by the Auditor. Supplemental UFRS appropriation - $699,600.

FY 1977-78; Installation of remaining districts and continued refinement of software for additional state reports. In order to provide any state-wide data on the new reporting basis by August of 1978, those districts converted in this period would require the conversion of their current years financial data to the new format. This option may prove impracticable within reasonable cost, depending on the progress made in the previous three years.

FY 1978-79; If necessary, allow the districts to be converted in 1977-78 one full year to collect and report financial data on new basis. Abandon old financial reporting standards and formats. Most likely availability date for financial reporting for all schools by program and instructional level is August 1979 (for FY 1978-79).

Development costs for the 1977-79 biennium are anticipated to total $547,000. New annual maintenance costs of operation of all districts state-wide will approximate $850,000.

The budgetary costs are based on the following assumptions:

1. Efforts by the State Department and MECC to develop and install regional administrative processing centers will proceed with or without the UFRS requirements. Only additional research and developments costs occasioned by UFRS plan within the time scale proposed are considered herein.

2. The on-going operational costs of the UFRS would be borne by the districts as are similar systems that currently are operational.

3. Additional costs incurred by this change that may be required of the State Auditor are not included.

4. The existing financial reporting standards (updated annually) would continue to be in effect until either FY 1977-78 or 1978-79. As these costs also would be incurred with or without the UFRS, these costs are not included.

The proposed implementation schedule is based on the following factors:

1. All five of the out-state regional processing centers will be established and fully operational in the next biennium. Three regions will be established in the first year and two in the second year.

2. Participation by the districts in converting their financial accounting and reporting operations to the UFRS system at their regional administrative processing center will be mandatory. Some options will be available in scheduling as to which of the three possible years any given district will be converted.

3. A disciplined conversion schedule must be followed. All districts within any region must be converted within an 18 month to two year period. Any reduction of the number of regions (less than five) will probably extend the proposed implementation schedule by one or more years.

I. INTRODUCTION

A. Purpose

The purpose of this manual is to provide an implementation plan for the Uniform Financial Reporting System for Minnesota School Districts.

The 1973 Legislature charged the State Board of Education with providing such a plan (Laws 1973, Chapter 683, Section 22). The relevant portion of this requirement is as follows:

"The State Board of Education shall submit a report on or before November 15, 1974, to the House Appropriations Committee and Senate Finance Committee detailing a plan for a fiscal accounting and reporting system of program expenditures for each elementary, secondary and area vocational technical school building and school district in the state and additional information as listed above with procedures to summarize this material for regional and state description and comparison."

To meet this need for detailed information by program and school, an entirely new accounting and financial reporting system has been conceived. This system known as the Uniform Financial Reporting System (UFRS) is attached as Appendix B. A summary overview of the UFRS is included in this document as Chapter II.

B. General Requirements

The basic need to provide summary information by instructional level, schools and program leads to the development of general requirements to provide accurate, standardized data for each school district in the state. These general requirements include the specification of:

1) Classifications and Standard Definitions

Classification and definition of the contents of individual sub-accounts and accounts is necessary for any data to become meaningful information. Some of the higher order aggregations (i.e. elementary instructional level) presents no particular problem in defining a hierarchy of accounts to be incorporated within this higher order level. Other detailed definitions or classifications must be developed as "program" means many things to many people. Detailed accounts must be developed so that their summary arrangement creates different types of "program" information.

2) Direct and Distributed Costs

In the financial area, differences soon become apparent between the cost classifications required and the ability to provide the data for those classifications. In statistical systems, simple counts can be maintained and summarized for useful information.

Some of the costs incurred can be directly recorded in enough detail to provide the assemblage of costs desired. In other cases, an expenditure may be related to many different accounts and some methods, rules and procedures must be developed to insure that the expenditure is attributed (or distributed) to

the many accounts selected. Merely defining what one wants reported, without standardizing the methods of distribution and collection, leads to varied local interpretation which makes the final information product of dubious value because it lacks comparability and substance.

3) Accounting and Processing

A popular misconception of accounting is that it is an exact science as accounting appears to deal with many absolutely accurate figures. In real life, a large amount of judgment and training is required to provide this data. Of the several different basis of accounting available (cash, accrual, modified accrual), a substantial body of theory and rules must be developed and applied to any selected method.

The application of these techniques for financial reporting by Minnesota schools must take into account the heterogeneity of districts' size and current capabilities. Some consideration must also be given to the processing of the accounts so classified and defined.

As the variety and scope of information is increased, the number of possible accounts will also dramatically increase. Former methods of data handling that may have been satisfactory for simpler systems, simply become unmanageable with increasing complexity.

Unless some realistic solutions can be evolved to meet these requirements, the proposed system will not be operative. Postponement of proposed solutions to this problem simply postpones the availability of the information.

4) Detailed and Summary Reporting

Although the financial reporting requirements tend to define the financial accounts required, needs of organizations and users differ substantially, both in level and detail. An accounting system must be designed so that the detail required can provide the reporting summary requested. The sum of the parts must equal the whole.

Providing definition of the summary reporting requirements only, in disregard of the detail that comprises these accounts, creates multiple reporting requirements, additional "systems" and increasing administrative burden. If this happens, there would be an increase in both direct and invisible costs, and additional delays in providing useful information to all users.

C. Alternative Methods

Several alternative methods in the development of the UFPS for the State of Minnesota were considered. Development of a reporting system to meet these basic needs must consider that a method of financial reporting currently exists. Several other states are also considering changing their financial reporting methods. The federal government, through the Office of Education also has its requirements and have

provided certain guidelines. The needs of the districts for financial accounting and reporting must also be considered.

The basic alternative methods to developing a new financial reporting system are as follows:

1) Modify and Upgrade the Present System

The current manual for Uniform Financial Accounting has been revised several times since its issue in 1952. These revisions have added some codes but the basic account structure remains unchanged. The classification includes broad functions, (i.e. administration, instruction, fixed charges) with subdivisions within the functions relating to general categories (such as salaries) and specific types of salaries (i.e. elementary teachers).

The current account structure is not readily amenable to detail and aggregate costs. The account structure is basically suited to reporting what was purchased and where the money came from within the broad function or service area breakdown. The structure is suited for simple accounting on a cash basis and unsuited to information on districts instructional programs. Extensive modifications would be needed to break out basic structural level categories such as elementary, secondary and post secondary. Further breakdowns such as subject matter within vocational or special education costs and revenues by handicapping disability appear to be virtually impossible.

In summary, modifications of this account structure could be made to provide data for costs by instructional level by approximately tripling the number of accounts. Financial information by school and by program category do not appear feasible.

2) Adopting and Modifying the Office of Education Guidelines

The Office of Education, has recently published "Handbook II Revised" - Classifications and Standard Terminology for Local and State School Systems, dated 1973. This effort resulted from the recognition of the problems that the individual states and the federal government had in utilizing the information provided previously. Most states, including Minnesota, currently have very similar versions of the previous Handbook II.

Handbook II, being a national guideline, provides a wealth of information on classifications, standardization of terminology and outlines a multi-dimensional system that provides enhanced reporting capability. Any system developed by any state must conform to a high degree to these guidelines.

Just as the federal level has published guidelines for information reporting, some states have reissued these same guidelines to their districts. While useful, this method does not address the basic problem of providing a means to record, account and summarize this information for local, state and federal needs. Guidelines in and of themselves do not comprise a complete system recommendation.

A national guideline cannot possibly recognize the current status of individual states' processing capability, the other existing statistical systems which should be integrated and the differing emphasis of financial reporting required within the states (such as vocational education in Minnesota).

In summary, adapting to Handbook II's recommendations in total would require replacement of existing software. This fact would extend (by about 1 - 2 years) the possible implementation date and overall cost well beyond that contemplated with methods outlined in the next alternative. Minnesota would, however, be assured of complete compatability with any possible federal reporting requirement.

3) Develop a New Reporting System

The third alternative to providing financial information by instructional levels, school and program category in Minnesota would be to develop an essentially new state reporting system based on a multi-dimensional structure presently in use by some districts. A new state reporting system tailored to Minnesota and based on local school districts' experience could take better advantage of the existing expertise. The new system would be integrated with Handbook II to satisfy most federal reporting requirements and with a little more effort, provide reporting capabilities to a large number of users within the State Department.

This approach would yield a more comprehensive and flexible financial accounting and reporting system. It could also be integrated more easily with other existing statistical reporting systems and provide an enhanced data base better adapted to longer range improvement of information availability.

The primary disadvantages are that it would require a considerable effort in the short term, more extensive modifications of existing procedures and require the upgrading of district accounting personnel.

D. Summary

Any of the alternatives outlined above requires substantial effort in the short to medium term (1 to 3 years). Modifying the existing system would still fall short of known information requirements. Adopting Handbook II would be a better choice from an information requirements standpoint but might prove unpracticable and would add unnecessary time and cost.

The implementation plan presented is for the UFRS as defined in the Preliminary Manual (See Appendix B). The UFRS incorporates the Handbook II philosophy and is tailored to known financial management reporting systems in current use in some Minnesota school districts.

II. SUMMARY DESCRIPTION OF THE UNIFORM FINANCIAL REPORTING SYSTEM

A. Introduction

This section presents an overview of the Uniform Financial Reporting System. A more complete description appears in Appendix B (UFRS) "Preliminary Manual for Uniform Financial Reporting System for Minnesota Schools". This system will better serve the basic needs of reporting financial accounting information from Minnesota school districts to the State Department of Education and provides additional detailed and comprehensive information for a number of local and other purposes not served by the existing system.

In the Preliminary Manual there are large numbers of detailed accounts necessary to fully describe the reporting capabilities of the UFRS. While the UFRS is more complex and detailed than the presently used Manual of Instructions for Uniform Financial Accounting (as updated), the following factors contribute to this difference:

a) The reporting requirement of financial information by elementary/secondary/post secondary school building and by program category required an expansion in the level of detail of financial reporting.

b) The current accounting manual, while serving as a basis for annual financial report data does not adequately address the problem of reporting for some state and federal reimbursable programs, nor does it allow an adequate structure for budgeting and management control for the districts.

c) The UFRS more accurately represents total financial reporting requirements required of the local districts. As this is the first attempt to assemble such instructions and requirements in one document, this assembly (the Preliminary Manual) merely brings visibility to the currently complex and uncoordinated requests for financial information that exist or are projected. Existing reports, instructions and requirements for financial information most likely will not exceed the requirements of the UFRS and appear relatively simple.

d) The UFRS concept employs a "building block" approach; that is, a complete expenditure account is comprised of five "blocks" (or dimensions). Each block or dimension has a particular role to play in describing the account. The existing system employs a less flexible but simpler concept of describing each individual account as an individual entity.

The UFRS is modeled after existing computer based financial management systems employed in many of the major school districts in the State of Minnesota. By fashioning the reporting requirements more closely to current practice in accounting and financial management in local school districts, the State of Minnesota will obtain, through the UFRS, more detailed information with the least possible increase in administrative costs.

B. Major Characteristics of the UFRS

1. Multi-dimensional Account Structure

Most modern financial management systems employ a multi-dimensional account structure. The application of this concept is primarily determined by the information needs of the organization(s) for which the system has been designed. A system designed for one organization or type of organization may be ill-suited to direct employment in another because each dimension, to be most useful, should be "tailored" to the purposes and needs of the organization and the number of dimensions should be consistant with the organization's complexity and/or sophistication. A multi-dimensional system designed to serve the needs of state governments, in general, would not be applicable to cities. A system designed for colleges would not be best suited for school districts. A financial management system for banks would not be applicable in manufacturing organizations.

The number and length of dimensions in the UFRS were derived from the systems currently employed in the major school districts in Minnesota. An evaluation of their suitability was made for all districts in reporting to the state. The definitions of the dimensions and the descriptions of the particular sub-accounts within the dimensions were developed after examination of the various information characteristics required of the local reporting system and the current state and federal reporting needs.

An educational reporting system cannot be created out of whole cloth. In the case of the UFRS, certain dimensions and definitions correspond with the Office of Education's reporting requirements. The operations being reported have in many cases defined the financial accounting in terms of their organizational operations. The instructional level and the classification of schools are dictated by law and local practice. Other codes are defined to allow the summarization of relevant educational financial data (i.e. adjusted maintenance costs).

The concepts employed allow for the maximum flexibility needed for future expansion and for ease of change in redefining reporting requirements to meet new legislation of educational or financial management requirements. Higher order summaries are provided for by the rational selection of the exact codes within various groups of sub-accounts.

2. Multi-purpose

The first purpose of the system is to provide minimum basic financial information for administrative and fiscal needs of the local school district.

The UFRS also is designed to serve the many purposes of the various sections of the State Department that use financial data from school districts. This objective requires the examination of the various stated needs of the users and defining accounts that reflect these needs. The assemblage of the composite needs is the total system.

The UFRS concepts will extend the information availability of detailed and summary data necessary for research and analysis, legal compliance, legislative requests and aid determinations at the state level.

Development and maintenance of a comprehensive reporting system that serves many different programs and sections requires extensive and continued coordination of reporting requirements that does not exist in less comprehensive systems. The intent of the UFRS is to allow the districts to account for and collect information on the lowest common denominator needed, and report either on that level of detail to one user or some higher level of aggregation to other users in the State Department.

Although the concept is simple, the implementation and maintenance is complex. There is a natural inter-relationship between the availability of data and the stated "needs" of the various users. As a result, it is very difficult for individual users to evolve an acceptable reporting system. However, once a user becomes familiar with a new concept such as the UFRS, he can visualize availability of more information in new reports that did not previously exist. This new awareness may in turn create awareness of changes needed in the information accounted and reported. Obviously as more individuals and agencies are involved in the use of a common reporting system, a longer period of time is required to acquaint users with the system capabilities. The subsequent modifications to change the system to the point where it is generally acceptable, and can serve its many users, requires extensive effort.

3. Computer Based

Modern financial systems, using the multi-dimensional concepts to serve a large number of different users through an integrated system, have only become possible with the advent of economical computing capability. The cost of manually handling the larger number of accounts, recording them on individual sheets of paper and maintaining the various ledgers and journals by hand would have been impracticable.

Minnesota schools are particularly fortunate in having a number of medium to large-sized districts that have collectively undergone many system years of experience with computer based financial management systems similar to the UFRS. These systems have enabled each participating school district's administration and instructional operational personnel to become more involved in the financial aspects of budgeting and control including cash flow and budgetary projections and maintaining more detailed and up-to-date information necessary for decision making at the local level.

Approximately 35 districts (serving about half of the pupil population) already are using similar versions of computer based financial management systems. The remaining districts, primarily out-state and serving smaller pupil populations, would be provided similar computer capability at costs more commensurate with their size through the regional processing centers of the Minnesota Education Computer Consortium (MECC). These regional centers will be staffed with technical and administrative expertise to assist the districts in the implementation of UFRS and will also serve a

number of other administrative and statistical data collection and reporting functions involved in pupil and staff accounting and local administrative needs. This sharing of costs for the various systems will make these capabilities practicable in time and cost and realizable from a technical viewpoint.

4. Integrated With Other Systems

The UFRS provides financial accounting information that needs to be related to other statistical data (such as staff, pupils, etc.) contained in other systems. The means to provide this capability consists of standardizing one or more dimensions of terms used in common among other systems. For example, as financial information by school within any one district is available, it will be useful for this information to be related to other statistical data about this school. In the UFRS, an identical code, for the same school name and classification for this school is used to enable subsequent computation of ratios using number of pupils, instruction or other staff or any other statistical characteristic associated with that school. By making part of the accounting code identical in definition to other statistical systems and providing a computer directory for these codes, it is possible to get financial/statistical ratios that are meaningful.

In the State Department of Education, a computer directory presently associates each school (and its classification) within a district to the type of district, county, legislative district, congressional district and planning region. The UFRS will use this common directory (known as the County/District/School File) to provide the basic correlation for each school and district between the financial and other statistical systems.

The program category dimension part of both expenditure and revenue accounts includes the various subject matter areas in secondary, special education, secondary vocational and post secondary vocational instruction. A code is provided for each subject matter area that a) has been defined by the instructional subject matter personnel and b) is the same aggregation as used in reporting staff assignment.

This integration of the UFRS with other reporting systems at the State Department of Education will insure the maximum usability of data because it will no longer be necessary to report certain combinations and ratios since those ratios and combinations can be synthesized from the financial and other statistical systems located centrally in the State Department.

At the school district level, sub-systems that could be integrated with the UFRS have not been defined as these supporting systems are not mandatory to define the financial reporting system. For example, personnel payroll systems to serve local needs can be designed to provide the expense distribution necessary for reporting salaries and employee benefits by program category to the state through the UFRS. Staff and pupil accounting systems will be designed to use the same definitions of schools and subject matter areas as carried in the existing statistical systems for state reporting which in turn

are consistant with those used in the UFRS as part of the financial account codes.

By designing systems whose files can be related to and collated with other data files in other systems, an increasing pool of data is made available for new uses with a minimum of cost and effort.

5. Modified Accrual Accounting

The UFRS specifies that the dollar amounts reported in various categories will be based on modified accrual accounting principles. This chart of accounts has been designed specifically to report on an accrual basis as specified herein (hence the adjective "modified").

Although reporting on a cash basis is simpler, cash accounting simply does not meet financial management and control needs at the local district nor yield enough data to reflect revenue learned and expenses incurred in a given fiscal year. With trends toward district consolidation, the increasing costs of education and the increasing percentage borne by state sources, it is necessary that a more accurate financial picture be obtained by the state.

The number and frequency of items accrued (adjustments from a cash basis) are the minimum considered necessary to reflect major changes from a cash basis. More extensive accrual concepts were considered than included in the UFRS. However, most of the items not included tended to increase the complexity without a commensurate increase in value for reporting and decision making purposes.

Consideration of the upgrading of accounting and professional expertise necessary to operate and control the system was a contributing factor. Most school districts (at least in numbers) do not currently do accounting on anything but a cash basis. Conversely, other districts (primarily larger ones in the metropolitan area) may currently apply accrual methods different or more extensive than that specified in the UFRS.

Part of the in-service training requirements will include the training of business managers, accounting clerks and other personnel in accrual methods. With the computer systems currently available, many of the accounting rules are built into the computer system.

By adopting a modified accrual accounting approach, all expenditures and revenues associated with a given fiscal year (whether or not there has been a cash transaction within that period of time) will be reported. By maintaining uniform standards, comparable financial data will be available from all districts in the state.

6. Pragmatic Approach

The UFRS represents a substantial change, in terms of complexity, from the present financial accounting system. However, the requirements that have been established are modified in all cases by the pragmatic considerations of the existing level of expertise and practice, the availability and utility of data and the needs of the users. In the final analysis, the merits of any system are weighed by the production of accurate and timely data which consistantly meet

user needs. More sophisticated systems that appear to present capabilities of providing more detailed information have been ruled out because they do not appear to be implementable. Simpler systems readily implementable, have been ruled out because they fail to meet the objectives of the users needs.

In using computerized systems, other constraints were considered. The development time for the computer programming (software) necessary on totally new systems would result in multi-year projects. The UFRS system capabilities can be met by modifying software already installed in some of the major districts.

As the Preliminary Manual is reviewed and critioued by the many different users, (and systems and accounting experts), there will undoubtedly be some consolidation of codes, making it simpler, with some expansion of codes necessary to reflect the Preliminary Manual's omissions.

Any radical change in system and procedures, such as represented by those outlined in the UFRS, requires consideration of the time necessary for the people to adopt new ways of thinking. The plan provides such time.

Any new system, however well conceived, needs to meet the test of time in actual use before it becomes acceptable. The more radical the change, the higher the risk that the initial concept may prove lacking in one or more substantial areas. Provision of the pilot testing of these systems in representative districts will minimize the risks in this change for statewide implementation.

C. The Account Structure

1. Expenditure Reporting Accounts

Of all the types of accounts, those used in expenditure reporting need the most definition, must be understood by the largest number of users, are involved in the majority of transactions processed and in general represent the most complex area.

Expenditure accounts in the UFRS system require the encoding of a total of 14 digits in five dimensions. These are:

a) Funds - Ten funds are currently specified in the UFRS to meet legal requirements and good accounting practices. Two digits are required for this dimension.

b) Organization - The organization dimension, requiring 3 digits, provides the capability of obtaining cost data by school and by instructional level. It also is used to provide linkage (cross-reference to other files) with other statistical data. These classifications are of two different types.

1) The "school" codes are presently used in the pupil and staff reporting systems and are further defined by the use of a "computer directory" that indicates each school's classification and instruction level.

2) The instruction level cost codes, not necessary for statistical reporting, are needed to report costs by instructional level that cannot be assigned to an individual school (such as district-wide elementary services). These costs, when combined with the costs associated to individual schools in that instructional level, provide the total costs attributable to an instructional level.

c) Program Category - This dimension describes all activities and operations of the school district. The program category provides for classifications of administrative operations; instructional activities; categories for elementary, secondary and post secondary instruction, with sub-categories by subject matter area; pupil support, instructional support and miscellaneous program categories. This dimension requires 3 digits to allow for the accumulation of costs by numerous functions or service areas.

d) Financing/Course/Project - The primary use for this multipurpose dimension (also 3 digits) is to associate expenditures with individual state and federally financed programs. The secondary purpose, for use with locally funded programs, includes recording expenditures by course or locally defined project.

e) Object - The 3 digit object dimension describes the commodity or services purchased such as salaries, supplies, equipment, etc.

The entire expenditure account consists of classifying each and every expenditure into the five dimensions specified makes sufficient detail available for reporting and aggregating costs for many purposes.

The entire list of expenditure classifications within dimensions are too extensive for the scope of this chapter. Figure II - 1 Expenditure Reporting Accounts on the following page illustrates the type of detail available in expenditure reporting.

EXPENDITURE REPORTING ACCOUNTS

Figure II - 1

ORGANIZATION - Provides costs by major instructional level, school and building (where appropriate).

- District wide
- District Secondary Services
- Sibley High School
- **Runestone Sec. Vocational Center**
- District Elementary Services
- Lund Elem. School

PROGRAM CATEGORY - Provides costs by instructional subject area (secondary and above), administrative, instructional and pupil supporting Activities.

- District Administrat.
- School Admin.
- Elementary Ed.
- Mathematics - Sec.
- **Health - Sec. Voc.**
- Tech. Ed. - Adult
- Transportation
- Operations and Maint.
- Debt Redemption

FINANCING/ COURSE/PROJECT *

- Not Applicable
- Visually Impaired
- **Voc. Ed. (Secondary)**
- ESEA Title I
- NDEA Title III
- Dropout Prevention
- Boys Intramural
- Vocal Music
- Alternative Program

OBJECT - Service or commodity obtained as result of an expenditure.

- Exec. Salaries
- **Instructional Salaries**
- Supplies
- Pay. to Minn. School Districts
- Equipment
- Travel
- Misc. Expense
- Transfers

* FINANCING/COURSE/PROJECT - Provides costs by source of reimbursement (individual state or federal program). Alternate uses (local funding only) for course level or project (locally defined cost centers)

2. Revenue Reporting Accounts

The revenue account structure provides much more detailed reporting capability than exists in the current system but is less complex than that for the expenditure account structure. Revenue accounts require the encoding of 8 digits in three dimensions as follows:

a) Fund - The 2 digit fund dimension is identical throughout the system and allows reporting of revenue to specific funds.

b) Source - The 3 digit source dimension codes allow for the reporting of individual sources of revenue within major classification such as local, state and federal.

Many source codes are assigned to individual state and federally financed programs. These codes are identical to those included in the "financing" dimension of the expenditure accounts. This allows for the correlation of identified program expenditures with the program revenue on an individual program-by-program basis.

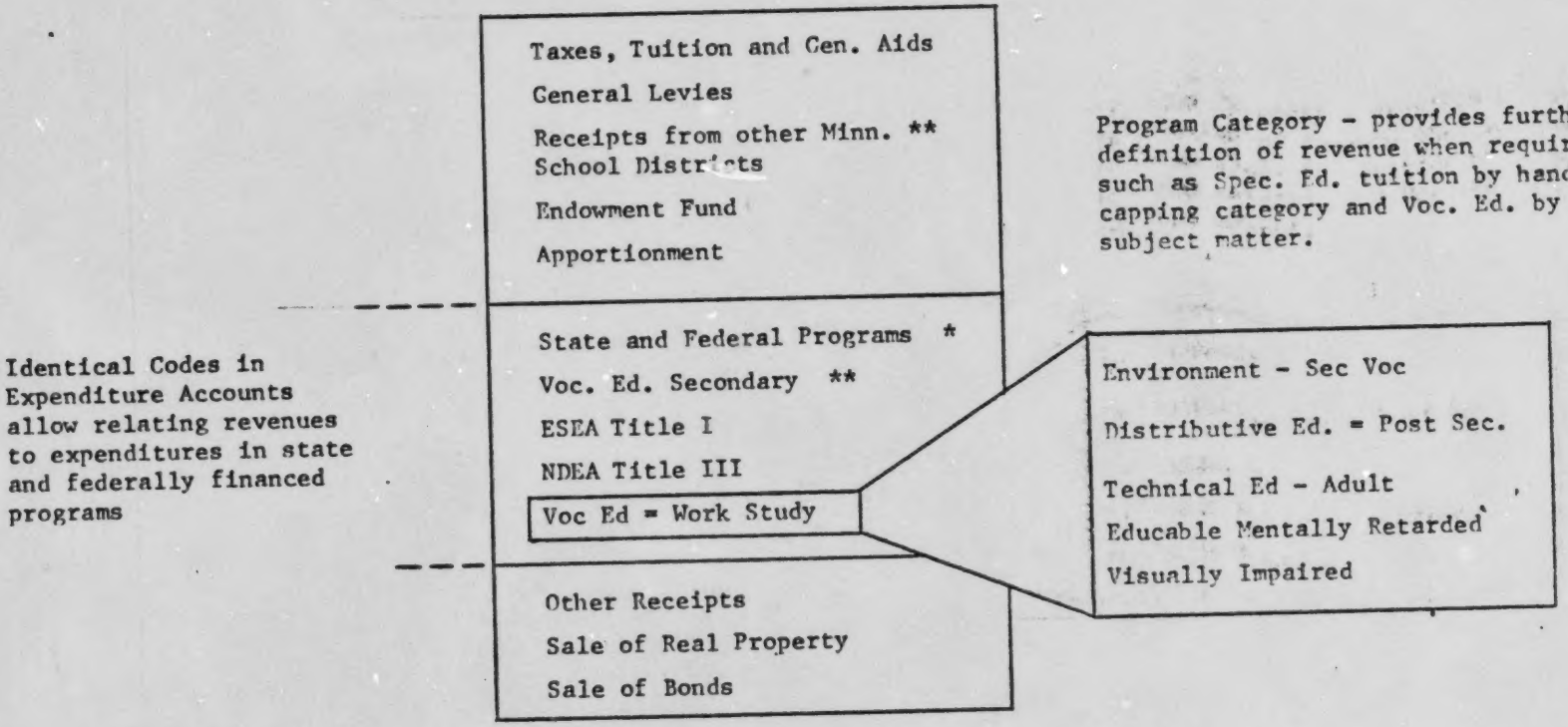
c) Program Category - Certain source codes need further definition than is provided in the source code itself. To provide for this additional detail, selected portions of the program category code (same 3 digits as in the expenditure accounts) is utilized. These codes are used to relate revenue by subject matter area in vocational education and for tuition and aids by handicapping disability in special education.

The complete list of revenue accounts is extensive and exceeds the scope of this section. Figure II - 2 "Revenue Reporting Accounts" on the following page illustrates the concepts in revenue reporting capability.

REVENUE REPORTING ACCOUNTS

Figure II - 2

Source - describes origins of revenue and other receipts


Taxes, Tuition and Gen. Aids
General Levies
Receipts from other Minn. ** School Districts
Endowment Fund
Apportionment
State and Federal Programs *
Voc. Ed. Secondary **
ESEA Title I
NDEA Title III
Voc Ed = Work Study
Other Receipts
Sale of Real Property
Sale of Bonds
Program Category - provides further definition of revenue when required such as Spec. Ed. tuition by handicapping category and Voc. Ed. by subject matter.
Environment - Sec Voc
Distributive Ed. = Post Sec.
Technical Ed - Adult
Educable Mentally Retarded
Visually Impaired
Identical Codes in Expenditure Accounts allow relating revenues to expenditures in state and federally financed programs

* This part of the Source Code has codes identical to those in the Financing/Course/Project dimension of the Expenditure accounts to easily relate revenues to expenditures for individual state and federal programs.

** Most Source Codes adequately define the revenue item. Some sources are further detailed by including a program category code as part of the revenue account.

3. Balance Sheet Accounts

Balance sheet accounts are necessary to reflect the districts' financial condition as of the end of the accounting period.

The balance sheet accounts are divided into three categories. These are:

a) Operating Accounts

These asset and liability accounts are carried by fund, that is, each fund may be reported as having some or all of these accounts.

b) General Fixed Asset Accounts

This set of accounts represents the historical cost of previous capitalized expenditures and not related to any fund.

c) General Long Term Debt Accounts

These accounts represent the long debt position of the district and are found only in the Debt Redemption Fund.

The balance sheet accounts, while more extensive than the existing system, are still very limited in number. The UFRS system provides for sub-accounts for local use. Sub-accounts (not shown) are currently not required for state reporting.

Figure II - 3 on the following page presents a nearly complete list of these accounts (excluding sub-accounts). Several off-setting accounts relating to uncollectible taxes have been omitted for sake of simplicity.

BALANCE SHEET ACCOUNTS

Figure II - 3

ASSETS	LIABILITIES
1. OPERATING ACCOUNTS (BY FUND)	
Cash on Deposit	Reserve for Encumberances
Cash on Hand	Accounts Payable
Investments	Judgments Payable
Accrued Interest Receivable	Outstanding C.I.'s and Loans Payable
Current Taxes Receivable	Construction Contracts Payable
Delinquent Taxes Receivable	Due to Other Funds
Accounts Receivable	Due to Other Governmental Units
Due from Other Funds	Matured Interest Payable
Due from Other Governmental Units	Taxes Collected in Advance
Bonds Authorized - Unissued	Non-Taxes Collected in Advance
Loans Receivable	Salaries and Wages Payable
Inventory	Payroll Deductions and Withholdings
Prepaid Expense and Deposits	Fund Balance
2. GENERAL FIXED ASSET ACCOUNT GROUP	
Construction in Progress	Investment in General Fixed Assets
Land	
Buildings	
Equipment and Furniture	
Automotive Inventory	
3. GENERAL LONG TERM DEBT ACCOUNT GROUP	
Deferred Taxes Receivable	Bonds Payable
Amount Available in Debt Redemption Fund	

D. Summary of Financial Reporting Capabilities

1. Financial Information Availability

Availability of information from a computer based financial management system is dependent on three factors.

a) The Account Structure

The basic expenditure data are classified and categorized by a number of dimensions which represent the complete account structure. Costs therefore, can be aggregated by school, by instructional level, by program category, by individual state and federal reimbursable programs, by object or any selected combinations of the above.

Revenues can be reported by source and type, by individual state and federal reimbursable programs and summarized to indicate the local, state and federal total funding.

Each fund, having its own independent set of asset and liability accounts, indicates the financial status of that individual fund and in the aggregate, the financial status of the district.

b) The Imagination of the Information System User and System Designer

With the thousands of individual expenditure accounts and hundreds of different revenue accounts within each fund, the possible reports available from such a system are limited only by the perceived needs and imagination of the system designer working in conjunction with the user/beneficiary.

Illustrative sample reports are included in Chapter X of the Preliminary Manual (see Appendix B). Additional reports will be defined in subsequent revision of the Preliminary Manual.

c) Timely System Responsiveness

Availability of usable data has only potential value. The actual value is realized only with the production of usable reports on a timely basis. This last characteristic is a function of the availability of the data to the computer system and the preparation of workable computer programs to produce the output reports.

Adequate inservice training, controlled software development and installation of the MECC regional processing centers will help to insure the prompt processing and submission of useful and timely reports.

2. Relationship of Financial Data to Other Statistical Information

Financial data often must be related to other statistical information. This can be accomplished by one of two methods.

a) Request the associated unit of information (i.e. pupils by instructional level or staff by school) at the same time and using the same media as the related financial data. This technique is typical of manual systems and requires researching and recording of the related information each time it is requested. This technique is expensive both in time and money, creates administrative burdens, introduces errors, etc. The advantage of this method lies in the simplicity of understanding by people at the reporting level.

b) Provide an integrated data base. The second and preferable alternative is to provide the associated data from already available statistical data files to form an integrated data base. This requires a computer capability to be practicable and both the statistical and financial systems designed to provide access to the coded information.

The UFRS will rely, in the long run as the system becomes developed, primarily on integrated data base concepts for providing financial/statistical reports. As other systems are developed to provide year-end data, duplicated statistical information reporting will be reduced.

3. Principle Uses of Information Provided by the UFRS.

a) Local District

Uses of financial data in the local district include additional capability for budgeting and planning, management and implementation, evaluation and ultimately reprogramming. This may be done on a centralized basis or a decentralized basis which involves school principals and department heads. This latter capability, although inherent in the recommended accounting structure, requires an evolution of sophistication and an amenable philosophy within the district itself. Decentralized budgeting is not mandated or necessarily recommended, but the availability of information to involve a larger number of people in the district is inherent in the system proposed.

The local Board of Education will have access to more definitive information to make its decisions such as degrees of decentralized decision making and accomodation to changed financing. The computerized system necessary to provide the state reporting will also be capable of providing monthly reports to individual districts relating to expenditures in the same more detailed categories than those reported to the state.

As financial decisions regarding the level of local effort and/or services provided to the pupils in the district may be affected by public knowledge of the district's operation, the enhanced information availability should help enable the district's administration to be more responsive to public needs and desires.

b) State Level

1) Statistical and Research

This broad category covers uses by many organizational units at the state level, both within and outside of the State Department of Education.

More detailed, reliable and current information will be available for general aid formulation, particularly with regard to instructional costs by elementary, secondary and post secondary levels. It will also be possible to determine the accuracy of present ratios used in computing pupil units used for state aids.

Use of the accrual accounting methods will permit a more accurate analysis of districts' financial condition to establish trends by types of funds (Capital Expenditure, Transportation, etc.), and help anticipate developing financial difficulties in the districts.

The analysis of expenditures and revenues can include not only the state and federally supported programs but will make available detailed information on a program category basis, by school and by instructional level within each district.

2) State Supported Programs

State supported programs include those activities that are specifically (or categorically) supported by state funds. UFRS includes more detailed financial information by handicapping disability in the special education area; by secondary, post secondary and adult vocational instruction and by community services activities.

The UFRS account structure is better suited to meet some of the currently proposed financial accounting requirements in the school lunch area. Future use of the organization dimension (which includes schools) as part of the revenue account would allow both revenues and expenditures to be collected by school if desired.

Transportation accounting and reporting for aids represents a special problem area in that the direct expenditures bear little relationship to the categories or groupings of expenditures currently used for state aid purposes. The cost allocation methodology currently necessary to translate direct cost categories into reimbursable categories are not included in the UFRS system.

The Higher Education Coordinating Commission (HECC) is currently developing a multi-dimensional financial reporting system for its use. The AVTI's have, and will continue to have, special problems in reporting to both the Department of Education and HECC. The UFRS employs several dimensions in the expenditure area that can be related directly to the proposed

HECC system. But, as the HECC system and UFRS are not identical, some incompatability currently exists between these systems.

3) Federal Programs Administered by the State

All school districts have federal programs that require reporting of indirect costs which heretofore required additional financial information reporting. The structure of the UFRS lends itself readily to reporting the financial information necessary to determine indirect cost rates and therefore should simplify this reporting problem.

Many of the individual federal programs requirements for line-item type expenditure reporting for reimbursement have been incorporated in the UFRS. Additional requirements will be incorporated through the necessary review process with the various users.

c) Federal Level

There are two principal needs for reporting to the federal level. They include the Office of Education's summary financial reporting needs and for federal programs administered directly by the federal government.

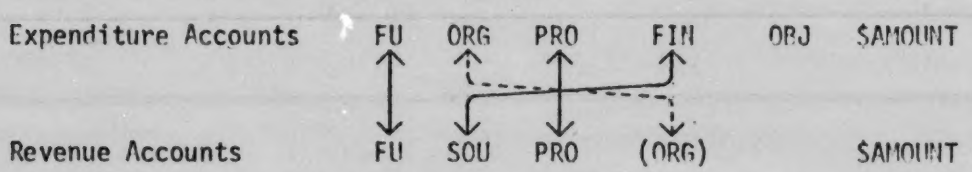
The Office of Education has provided a handbook series including one on financial accounting that has been used as a guideline (Handbook II - Revised). In developing the UFRS, the Handbook II approach was basically used. While the UFRS account structure is not identical to the structure proposed in Handbook II, implementation of UFRS would greatly enhance the timely and accurate reporting of major cost and revenue classifications to the Office of Education, in a fashion consistant with Handbook II. Expected revisions to the Preliminary Manual should reduce, but never totally eliminate, all differences in detailed reporting.

The Office of Education has some highly specialized financial reporting requirements not included in either Handbook II or the UFRS. These include: salaries on the basis of job title such as elementary librarian salary, certified secondary special education salary, etc. This information would more logically be provided by the Personnel Assignment System currently operating in the State of Minnesota or as state specified output from a personnel payroll system, not defined by the UFRS.

Federal programs administered directly from the federal government have much the same requirements as federal programs administered by the state. The UFRS provides line-item type information for substantiation of such program expenditures, in addition to information required to compute individual district's indirect cost rates.

4. Use of UFRS Capabilities for Revenue and Expenditure Analysis

The UFRS has the capability to assist financial decision making, at both the local and state level, in activities that have identifiable costs and revenues. This capability is crucial to the success of profit oriented organizations and although most of the services provided by school districts need not be "priced", provision for this capability should not be totally ignored. The following diagram represents the UFRS' capabilities to relate some identifiable expenditures and revenues.



By Fund (FU-FU) - As fund accounting is basic to any non-profit organization, any system can relate expenditures and revenues at the fund level.

By Program Category (PRO-PRO) - Some vocational education subjects, and other program categories, have significant offsetting revenues. The capability to match revenues with expenditures at this level of detail is necessary to determine net program costs.

By Source of Financing (SOU-FIN) - State and federal reimbursable programs or any categorical aids where revenue is a function of identifiable expenditure may require this level of matching of expenditures and revenues.

By Organization (ORG-ORG) - This capability is not currently required by the state but will be available to districts with the proposed system for such things as accounting for student activity funds by school. In the future, this capability may be required by the state for reporting school lunch costs and receipts by school.

III. SUMMARY OF THE PLAN

A. General

The implementation of the UFRS is a major undertaking for the Department of Education.

The needs for detailed financial information throughout the State Department of Education by other users is pervasive. No system developed previously has contact with nor serves the needs of as many individual users and groups as the UFRS.

Successful implementation requires the coordinated activities of local districts, a large number of sections within the State Department of Education and other organizations such as MECC and the regional processing centers. Each of these latter organizations, although in major part funded by the state, has its own objectives and priorities, of which the implementation of these financial reporting requirements is merely part of their administrative functions which, in turn, are only part of their total objectives. No system established to date has the degree of organizational interdependence required in the implementation of the Uniform Financial Reporting System.

Just the change from a cash to a modified accrual basis of accounting alone establishes a requirement for in-service training among the nearly five hundred and fifty districts and other reporting units represents a magnitude of effort not previously encountered by the Department of Education.

The UFRS' operational dependence on the seven MECC decentralized computer centers, only one of which has had previous ongoing operational responsibility, presents problems because of the newness of the installations.

Although the control, standardization and specification of state reporting requirements in conjunction with a number of operational computer systems will be commonplace in the future, the UFRS represents the first effort in this area for the state of Minnesota.

The balance of this chapter covers the major tasks to be performed (without regard to organization responsibility or timing), a summary of the implementation timing and a summary of the budgetary costs.

B. Major Tasks

1. Establish the UFRS Task Force

The success or failure of the UFRS implementation will in large part depend on the management structure developed. The tasks involved, the numbers of people, the expertise required and the number of man-months involved over a period of time indicate the requirement for a management structure not commonly found in State Departments of Education or other governmental agencies.

Although the technical expertise and work must be provided by a large number of individuals within various sections, units and organizations (and some of this may be contracted to outside firms), the primary responsibility for the management of the implementation of the UFRS must reside in the State Department of Education.

The typical committee whose members serve part-time as an additional duty to their normal operational tasks cannot be expected to devote a sufficient proportion of their time to maintain the level of effort necessary for the implementation.

There is no current lack of boards, committees and interested organizations to review, comment and critique the UFRS itself, the plan and the implementation schedule. There is also no lack of qualified people who could be assigned to additional committees to react to documented efforts, plans and policies.

What is needed is a small group of people, assigned full and part-time for a long term, who can be held accountable for the detailed development, planning and implementation of the UFRS. Such a group must be assigned to constitute the "UFRS Task Force".

The individuals who comprise the membership of the UFRS have several characteristics.

a. The current means of collecting and processing school systems financial information is a major part of their current job responsibilities and interests.

b. The transition from the old methods to the new system has a significant impact on their duties.

c. Under the Departments' current chart of organization they do not report directly to a common superior.

d. Their job performance is in part a function of the successful overall implementation of the UFRS.

e. The success or failure of the UFRS implementation is not under their individual control or under the control of the units which they are assigned.

The task force organization would cross current organizational boundaries. Its individual members must have their task force duties incorporated into their job descriptions and be scheduled to spend 20 to 80% of their time under the direction of the task force chairman.

The duties of the Task Force would include:

a. detailing the implementation plan,

b. working on their assigned sub-tasks,

c. liaison with individuals and groups outside the Task Force,

d. follow-up and monitoring sub-tasks assigned to units outside the Task Force,

e. supporting and working on sub-tasks that are slipping behind schedule,

f. periodic reporting to the Commissioner regarding problems encountered and progress made, and

g. managing any assigned staff.

Membership of the proposed Task Force could consist of:

a. The Assistant Commissioner for School Management Services*

b. The Assistant Commissioner of Planning and Development

c. The Department's MECC Coordinator

d. A Finance Systems analyst (Education Data System section)**

e. Local/State Budget and Finance Coordinator (School Management Services Division)*

f. Research Consultant (State Aid and Statistics section)

Ex-officio members should include the Deputy Commissioner of Operations and the Chairman of the Reporting Standards Committee and a representative of the State Auditors staff.

*Position currently approved but remains open.

**Position being requested in 1975-76 budget.

2. Review and Revise the Preliminary Manual

The Preliminary Manual is the first step in developing an implementable standard.

The Preliminary Manual was developed to serve two primary purposes:

a. To provide a basis upon which to plan the implementation of a new financial reporting system that could produce reports by school, instructional level and various program categories as defined by the legislature.

b. To serve as a working draft needed for the various users, systems people and accountants to react to, refine and develop into an implementable standard if the plan is approved.

The Preliminary Manual is the first documentation of the Reporting Standards Committee's ideas regarding the types of accounts necessary to provide local districts, the state and the Office of Education with a unified method for reporting financial data. These ideas were documented, various prospective users were contacted, and illustrative reports examined and the sum total of these efforts and contacts resulted in the Preliminary Manual.

The UFRS is not designed to provide a singular well-defined set of reports for a particular user or as an end product, rather it is designed to provide integrated financial information for many different types of users on the local, state and Office of Education level by the use of computer systems and manual procedures in accordance with the public accounting requirements of the State of Minnesota.

A multitude of users, accountants and systems people need this preliminary manual to comprehend the reporting capabilities proposed. As each of these individual users, now having seen a completed design of a reporting system for the first time, realize the system's capabilities and react to sample reports provided, they can suggest other accounts and other reports that will better serve their needs.

Although the shortest distance between two points is a straight line, the distance between a new reporting concept and an implementable standard is not. As the UFRS is structured for accrual accounting (instead of the present cash basis), many new accounts are necessary. As reports are made more consistent with current auditing standards and practices, the UFRS must be reviewed by the State Auditor and his recommendations incorporated. These recommendations will impact on the districts and other users.

The UFRS dimensions and account structure are very similar to several versions of computer software currently operating in TIES, METRO II, Duluth and Rochester School Districts. These systems have been extended to permit reporting on the old state accounting code basis but reporting on a multi-dimensional system basis will present some new problems. The UFRS therefore must be reviewed in its preliminary

stage now by people familiar with detailed programming of the proposed system for technical accuracy. The incorporation of their suggestions may minimize the software modification costs.

The UFRS will provide the basic reporting structure for a large number of state and federal reimbursable programs. Upon detailed review of these numerous requirements, additional codes likely will be necessary and/or reporting requirements will be modified. This can be accomplished only after the Preliminary Manual is made available to these users to get their reactions.

Certain requirements are not subject to change and these in general, are the Office of Education's annual reports and certain aggregation of expenditure revenues necessary as defined by statute or practice. These aggregations must be checked in detail to assure comparability with previous information submitted and acceptance with current practice.

The Preliminary Manual, therefore, must be reviewed by a number of people with various interests at the same time. Their comments and suggestions must be followed up, clarified, errors noted, omissions accepted, additional reports defined and in some cases, resolutions made between conflicting opinions and/or statements of needs included in the responses yet to be received.

Adopted recommendations and comments by the numerous groups and individuals will then be incorporated into the second edition. The second edition (or first revision) would serve as the basis for the pilot project testing.

Since various groups and individuals will be unaware of the various changes adopted, the second edition should again be reviewed for additional changes which may be necessary. The third edition (second revision), having incorporated the major changes anticipated in the second edition, and the pilot projects, can then be considered the implementable standard.

The success of the first year's operation, based on the third edition of the UFRS manual, is highly dependent on the knowledge and understanding by the multitude of users, systems and accounting people involved.

This revision process is absolutely unavoidable. The plan recognizes that the necessary review, revision and change cycle must take place before additional investment is incurred (before implementation) or instead of attempting to struggle through several bad years of operation that yields invalid data, unhappy users and generally unsatisfactory performance.

The combined judgment of people with significant systems experience indicate the former course of action is the only prudent procedure.

3. Install Systems and Service Capabilities in MECC Regions

At this time, seven regions have been defined by MECC which will have compatible computer systems capability to service their member districts. Only one, namely, TIES is in operation. METRO II is in the process of defining their requirements, selecting and training staff, specifying the hardware and software necessary and developing their capability to serve their member districts. These two cooperative computer service enterprises will eventually serve all schools in the seven county Minneapolis-St. Paul metropolitan area.

The five out-state regions are in the process of establishing boards, defining relationships with MECC, establishing user committees (on a functional application basis) and otherwise planning for their computer capabilities. These five regions will look to METRO II and TIES for development of application (including a financial accounting and reporting package) software, guidance on equipment selection, technical operations, documentation standards and other planning and development work.

As the individual regions' plans for implementation have not yet been adopted, the plans' scheduling indicates merely a sequence of installations. The "1st region" is <u>not</u> necessarily Region I (Northwest) but indicates whichever outstate region is first ready to start the conversions.

The regions' computer installations and operations staffs (including input - output control people, operators, programmers, systems analysts) and technical service people must be recruited and trained. Hardware and software specifications must be developed, bids solicited and accepted before installation can be realized.

After the technical people have been recruited, recommended software, computer procedures, manual input preparation and other facets of running a computer installation must be established. Technical service people, trained in the UFRS procedures for total comprehension of its capabilities, must be available to serve member districts in each region.

The MECC regional processing centers' primary purpose is to service the member districts' administrative processing needs and secondarily, report to the state. UFRS represents only a portion of the financial processing capabilities required by districts, which in turn, is only a portion of the administrative processing capability required.

Providing computerized services for pupil, staff, financial accounting and other administrative functions requires the sharing of computer facilities, input/output control computer operations and systems and programming staffs. The technical service representative who maintains liaison with the districts must also be knowledgeable in all functional service areas. This plan requires that MECC has planned and budgeted for these "service bureau" type operations.

Implementation of the financial application required to support

the UFRS requires one additional type of support that is not currently provided for in the MECC plans and budgets. That support requires detailed knowledge of financial and accounting practices, procedures, classifications and controls necessary to accurately convert and maintain the financial accounting and budgeting operations in local school districts. This support requires an experienced accountant/business manager who would be a regional resource person to provide decentralized support to the districts similar to the local/state budget and finance coordinator in the school management services division. (See Chapter V, ORGANIZATIONAL CONSIDERATIONS, Page V-5)

The definition of hardware, software and in-service training requirements must be done once for the benefit of all in order to realize a considerable saving in time and cost. Even so, the actual learning process is a matter of many individuals and groups of people assimilating the necessary technical and financial knowledge to make this system work on a state-wide basis.

There are four categories of computer software that must be developed or acquired by the MECC central staff and installed in the regions. Different or substantially modified software may be required for TIES or already exist than that installed in the other regions. These four categories are:

a. Generalized utility software - This category, normally supplied by the hardware vendor, includes all generalized support software needed to run any application on a particular hardware configuration.

b. The financial application software - This software will be very similar to the existing packages installed in about 35 districts, and are known as FBA (Financial Budgeting and Accounting), or POBAS (Program Oriented Budgeting and Accounting Systems). The UFRS reporting requirements are based on these systems capabilities.

c. The UFRS Translator and Format software - As each district has an individualized chart of accounts which will be more extensive than the required UFRS reporting requirements, a means of converting FBA or POBAS files into the codes and formats required by the UFRS is required. This translation would be accomplished only at the end of any reporting period requiring files, computer media or reports in the UFRS coded formats. The computerized directory of the chart of accounts, mentioned in Task 6, would be part of this software.

d. The EDP audit tools - These audit tools are the software necessary to allow the State or other outside auditor to test, interrogate and obtain output of the regions' computer files independent of the sites' own programs or programming staff. The EDP audit software, once developed (or acquired) and tested, will remain under the control of the State Auditor. This software requirement is also mentioned in Task 11.

The installation of systems and services capabilities in the MECC

regions relates not only to the procurement of common hardware and software, but to that body of effort represented by the learning, testing, and assimilation of the common system requirements by the seven differing groups of people.

4. Integrate Financial and Other Systems Reporting at the State Department of Education

The UFRS has been designed to provide cross referencing capability with other statistical data regarding schools and school districts in Minnesota. In the UFRS, part of this cross referencing capability includes the use of the school and district numbers that are identical to those provided for in other statistical reporting systems.

Relating the new financial data by school and district will be affected by the use of an existing computer directory (known as the County/District/School File or C/D/S file). In order to assure that this can be done, certain changes in this directory are necessary. These changes involve documentation, analysis and establishment of procedures which does not involve extensive computer programming effort.

A considerable portion of any district's revenue is provided from the warrants produced by the state-wide accounting system. These warrants include general aid payments, state supported programs and those federal programs that are administered by the State Department of Education. It is highly desirable therefore that the output of the state-wide accounting system be related to the input for the district's financial management system. Recommended changes in current procedures would involve the establishment of codes and "English" descriptions on the warrants that can be cross-referenced to specific revenue codes in the UFRS. These changes would be limited to those areas (primarily the English descriptions) that can be modified without disrupting the logic or affecting other users of the state-wide accounting system. The UFRS revenue codes may need to be expanded in some areas and contracted in others. District financial records will more accurately reflect revenues from this source than at present. The UFRS manual would reflect these changes in instructions. Adopted cross references would eliminate a current problem of interpreting and accurately posting revenues to the district from the state-wide accounting system.

As needs for correlating financial information and other statistical data are developed, additional systems integration must be performed. Means to interrogate, extract and summarize data from two or more logical files will be required. Correlations between financial and pupil data (by school) using the UFRS files and the Fall Report systems files may be required. Correlations of financial and staffing data (by school and by program category) using the UFRS files and Personnel Assignment files may also be required. A total future development cannot be specified but will represent an ongoing effort in this task.

5. Develop State Level Software to Utilize UFRS Reporting Capabilities

The UFRS has been designed for use by the districts to report financial data to the State Department of Education; such data will serve the departments many internal users and for external purposes. The software and systems capability described under Task 3 relates to the installation of software within the regions to produce reports from the districts to the state. Task 5 involves accepting the information produced by the regions for summarization by the State Department of Education for distribution to the Office of Education, the legislature, other state agencies, private agencies and individuals.

The term "software" in this case, includes all of the systems analysis, detailed report specification and programming necessary to translate the individual accounts data into usable reports. This responsibility is shared by the Educational Data Systems section of the Department of Education and the Information Systems Division of the Department of Administration. Software development for similar uses is currently a function of these two units and they will develop software required for reporting financial data from UFRS. An increased level of effort will be required to realize the UFRS' reporting capabilities.

The software required must accept either data on conventional paper reports to be keypunched at the state or data provided directly by the MECC regions by means of punched cards, computer tape or telephone transmission capabilities. This mix of information media will change over time depending on such factors as the economics of alternative methods of data provision and the development of other statistical needs.

This software has basically two different purposes.

a. Consolidation of data provided by each of the districts through their regions' UFRS system - These consolidations range from state-wide summaries of program, instructional level and other data for Office of Education statistics on the same basis as reported by the districts.

Development of software will include detailed analyses and definitions of various reports that are known and recurring. These standardized reports will likely be provided by tailor-made programming. An example of the output for this purpose would be a statewide summary of the Annual Financial Report.

b. Generation of special reports (which may be either recurring or periodic), to provide summaries other than those provided by the district's UFRS.

The second type of software requirement may be provided by generalized reporting packages currently available to the state (or a new one purchased) to provide specialized on-demand, quick response types of data required for analysis to respond to various information requests.

6. Establish Financial Reporting Controls

The level of management control to develop and maintain uniform financial accounting information definitions, processing and reporting necessary for the implementation of UFRS needs to be totally developed. While eventually an integrated approach will be realized, it will be necessary to control requests for reports, definition of data items and other considerations necessary to maintain standardized and comparable financial accounting data. These controls on requests for financial information will tend to prevent districts from being asked to provide information for endless questions.

The present accounting manual for Minnesota schools provides codes for summary financial information for an annual financial report and certain detailed codes used for reporting to the Office of Education. As the present manual does not begin to cover all the types of detailed information and other summaries required by the various sections within the State Department, each of these sections tends to devise its own specific reporting requirements individually. Under these conditions, the need to coordinate requests for financial information is apparent.

As the UFRS has the capability of providing more of the information needed by these sections, a disciplined and coordinated effort on the part of these information requestors will be required within the State Department of Education.

Two communications devices will help to establish and maintain the required level of control. These are the UFRS manual and the computerized directory of the chart of accounts.

The UFRS manual, when it becomes an implementable standard, will be essentially the "catalog" of reportable financial accounts. This catalog should be meaningful to the district accounting personnel, computer systems poeple and other district or state personnel who have requirements for this financial accounting information. Once established, this catalog will provide the basis for the vast majority of reports required of the district by the State Department of Education and federal sources.

Through the selection of financial accounting information known to be available, a required report may be defined by specifying the combinations of accounts desired. If reporting requirements change to require either additional or fewer accounts (and these requirements would appear to be of a recurring nature), then the UFRS manual will be changed. This will require the people responsible for maintenance of the manual to be able to adopt to changing user needs. Ordinarily requests for accounts and data specified in the manual will be available from the Minnesota school districts as a by product of data they need for local purposes. Conversely, extensive, repetitive requests from various individuals or sections in the Department for specialized data not covered by the UFRS, and normal local processes must be restricted as far as possible so as not to place an undue administrative burden on the school districts' business office.

In the event that report requirements, particularly of a non-recurring nature, cannot be met by the accounts established in the UFRS manual, exceptions to the rule must be permitted to allow the collection of information directly from the districts. Maintenance of the UFRS Manual and the authority to control the reportable financial codes (including the allowable exceptions) should be the responsibility of the local/state budget and finance section of the School Management Service Division.

The staff of the State Department of Education must be required to do the requisite planning and coordination necessary to minimize extraordinary requests for financial information from the school districts. Establishment of financial reporting requirements before each fiscal year or each project begins (or as soon after as possible) will minimize districts reporting problems.

As the UFRS is computer based, directories of the chart of accounts must be maintained in the computer(s) as specified in the UFRS manual. These directories will differ at two different levels.

At the State Department of Education level, a computerized directory of all approved accounts must be maintained for editing purposes and to provide a master list of codes and descriptions of the current accounts.

Individual school districts' accounting requires more detailed accounts than specified in the UFRS. The UFRS concept does not mandate each and every account allowable and/or needed for internal district operation. It does mandate those aggregate accounts required for reporting financial information to the state. It is therefore necessary (and currently customary with districts who now have computer based financial management systems) to provide a directory that aggregates and converts their day-to-day operational accounts into the required state reporting codes. The regional data processing centers therefore must provide such directories (also known as "cross-walks") to translate their district's expenditure, revenue and balance sheet account codes to the account codes reported to the state.

The state codes in these regional computer directories must be identical to the codes in the UFRS manual. Each and every numeric code set in each computer directory for each sub-account would be matched by a twenty character alphabetic description of that sub-account. These twenty character descriptions will also be provided by the state to maintain uniformity of appearance and understanding. For example, costs and revenues relating to an ESEA Title I, Part A federal program could appear identical on all computer reports from all districts as "ESEA, Title I, Part A" rather than "Title I" or "ESEA Title I" or "ESEA I - A", etc. While the associated numeric value (401) is entirely sufficient for computer programming, it is highly desirable that the entire account description appear uniformly to each user of these reports.

The refinement and maintenance of the UFRS manual and the establishment and maintenance of the computer directories are the most visible parts of this task. The less visible factors are the establishment of communication channels and relationships between the requesters, the controllers and the providers of financial information.

7. Operate Pilot Projects

While each of the components for successful implementation such as adoption of the UFRS manual (the implementable standard version), the design and production of the necessary forms and procedures, computer programming and the in-service training necessary will have been developed, it will still be necessary to operate "pilot projects" to minimize the risk of statewide failure.

The use of comprehensive testing, i.e., doing an entire district's job on the proposed methods and techniques, is well accepted as a strategy to minimize the costs and risks involved in major new developments. The purpose of such pilot tests is to uncover and resolve those problems that crop up in any major new developments that have not been foreseen previously. It is much less costly, in both time and effort, to resolve and correct problems with a few districts than it would be with every district in the state.

To effectively anticipate problems in statewide implementation of the UFRS, it is necessary that at least seven (one for each region) select districts serve as pilot projects. Any one district would be involved for a period of one year or less but the elapsed time of the task will cover more than two years.

The MECC central staff will assist each MECC region in their software installation, the initial pilot projects and be responsible for providing continuity of the pilot projects from region to region.

To provide the greatest opportunity to detect unforeseen problems, the entire spectrum of district size and complexity must be covered in the sample of pilot districts. This selection process should consider the following factors:

a. Regional Distribution

Each group of people at each MECC regional data processing center must have the opportunity to learn the UFRS implementation process using at least one district in their region.

b. Size of Districts

The size of the district will have an effect on the number of accounts and the procedures used within the district. The selected sample should include representation from the very small to the very large districts. As Minneapolis and St. Paul are atypical, have greater resources and longer experience in such

systems, they probably would not be considered in the pilot group as solutions to their unique problems will not likely benefit other districts.

At least one, and preferably, two districts with AVTI's should be in the pilot sample. The AVTI's represent a unique type of district intended to be served by the UFRS.

c. Experience Factor

Most of the pilot districts should not have had previous experience with either TIES or POBAS type systems. Appropriately 90% of the districts have not had this experience and the pilot district representation should reflect this fact.

d. Type of District

Minnesota has a large variety of types of districts created under the Joint Powers Act or that operate under other cooperative efforts. Specialized service districts, special education and vocational education cooperatives pose special problems that need resolution to insure that the UFRS will serve all districts.

The first revision of the UFRS manual (see Task 2) will provide the chart of accounts and accounting principles to be tested. The initial version of the in-service training material (see Task 8) will be used to uncover needed improvements for subsequent installations.

The results of the pilot testing will include experience needed to produce the UFRS standard manuals, procedures and more effective in-service training for the balance of the districts to be converted.

The level of additional effort and type of support necessary for each pilot will vary by sequence (the first pilot will be different from the last); by the district's current status (currently automated districts will require less in-service training than non-automated districts); and by size.

To be selected as a pilot district may be both an honor and a burden. Pilot projects yield varying amounts of transferable knowledge and experience because of the added burden on the district's current operations.

Financial aid and staffing complements must be provided to pilot districts to maximize the benefits to other districts and regions and to minimize the total costs to the state in the UFRS implementation.

8. Perform In-Service Training

This task involves the largest number of people, a long elapsed time, and is an important factor in the relative success of the UFRS implementation.

Some of the work involved in the in-service training task has already commenced. The Reporting Standards Committee and various people in the Department of Education in cooperating to produce the Preliminary Manual and the implementation plan have thereby participated in this phase.

The scope of this task can be described best by defining the groups of people involved, the methods by which the in-service training can be accomplished and the sequence of events.

a. Local Agency Personnel

Each of the five hundred and fifty some districts and service arrangements have two groups of people who have different needs and levels of understanding necessary for the implementation of the UFRS. One group consists of the superintendents, boards, professional staff and the public. This group is most interested in the budgeting process, the availability of information, management implications and other report interpretations. This group is least interested in the mechanics, coding details and control procedures. The second group of people consists of the business officials, accountants and supportive staff who will maintain the day-to-day operation of the UFRS. They not only need to appreciate the overview presented to the former group but also to understand the mechanical details, coding requirements, interpretations of accounting classification, the new modified accrual basis of accounting, the coding of forms and the controls and procedures necessary in any system.

The districts themselves can be classified into two categories for purposes of in-service training. The 35 districts who are operating computer based multi-dimensional systems and are a member of METRO II or TIES, Rochester and Duluth have already had substantial experience with budgeting, forms and controls with similar systems using accrual or cash basis accounting principles. The in-service training requirements for these districts can be tailored to eliminate some of the more general aspects while concentrating on a review of differing controls and procedures and modified accrual accounting.

The new districts (inexperienced in computer based financial management systems) are starting from a more basic level. The principles and concepts involved, the differences in controls, understanding of basic computer processing and operations, transition problems involved from their present system are among factors which will have to be included.

b. State Department Personnel

In this category there are many users and interpreters of financial information working with the various federal and state programs, statistics, finance, school lunch, transportation, vocational, and special education. All of these people will have to become more involved in reviewing the Preliminary Manual and in further detailing their requirements.

This aspect of the in-service training will tend to be more

formalized and as personnel and requirements change, the in-service training will be continuous at a lower level of effort.

As management applications increase, more sophisticated reporting will be required and the emphasis will change from the collection and compilation of financial data to the analysis of detailed program information. The Education Data Systems Section and the School Management Services Division will assist these program managers in the future development and interpretation of their stated information requirements. Management use of this information provided must remain with the information users.

c. State Auditor and the Public Accountants

With a new accounting standard using computer based financial accounting systems, the State Auditor, his staff and outside CPA firms need in-service training relating to their function in auditing. The responsibility of providing this in-service training may be within the State Auditor's office. However, he must be involved and provided with sufficient material to perform this task. The State Auditor's staff and selected firms recommended by the Minnesota Society of Certified Public Accountants will be involved in review of the Preliminary Manual.

The UFRS is designed to provide a closer relationship between the day-to-day requirements, the reporting requirements and the auditing standards.

d. Regional and State Processing Centers

These two groups have basically similar in-service training requirements. The systems analysts, programmers, input/output control and technical service people must be provided with detailed explanations of the software installed at the regions and its relationship to the UFRS reporting requirements.

This group requires the most comprehensive training and exposure of all. They must not only be familiar with the material presented to all the other groups, but also have an in-depth and comprehensive knowledge of file structures, programming languages and computer operations.

e. Presentation to Professional Groups

Several professional groups will have an interest in the status and operation of the UFRS. These include the Minnesota Association of School Business Officials, the MFT, the MEA, the Minnesota Association of School Administrators and the Association for Educational Date Systems, among others. Presentations will have to be made to these groups.

Providing these varied groups with different levels of in-service training at different times will require combinations of information/

dissemination methods. One or more of the following may be used with one or more of the groups. The subsequent development of the in-service training methodology must consider use of the following methods and techniques.

a. Video-taped Instruction

b. Other Audio-Visual Presentations

c. The UFRS Manual

The UFRS manual itself should provide the best method of distributing detailed reporting and accounting information regarding UFRS.

This comprehensive manual is not suited to overview training and could best be used as a reference document. Its format will allow ease of updating and in the long run will serve on an on-going basis for in-service training and for notification of changes.

d. Information Bulletins

This technique, particularly for use with limited groups such as will be developed during the pilot stages and the initial conversions, may be well suited to augmenting the UFRS manual by periodic reports.

These bulletins could provide the "how to" conversion steps, recommended training techniques, case histories and installation program reports.

e. Personal Instruction and Guidance

f. The Users Manuals

These manuals should fully describe the step-by-step input and control procedures and the computer processing of their accounting data needed by the districts "users" of the regional software.

g. In-Service Workshops

Workshops will be needed to train and assist small groups involved in the accrual conversion and for large group orientation.

h. Technical Services Support

Each regional processing center will have several technical services people familiar with the administrative and instructional applications provided their member districts. One of the functions of these technical service people will be to provide one-to-one training relationships to district people in their own MECC region.

i. Educational Administration Courses

There have been, and undoubtedly will continue to be, various post-graduate educational administration courses offered for credit or professional upgrading. Some of these dealing with school finance or "PPBS" could well use illustrations and samples of material from the UFRS as course material. This would provide still another means of communication within the State of Minnesota professional educators.

The sequence of events in the in-service training task include the following:

a. Develop Material

As each user group has different requirements, at least part of the material must be developed in different detail and at a different level for each group. Some material, however, could be developed for common use by one or more of the methods or groups.

b. Train Technical Service and Other Resource People

The total task of in-service training cannot be done by one group or person. Thus, this task must include the training of intermediate "trainers" whose knowledge and ability will multiply the number of communication contacts.

c. Monitor the Training and Modify the Material

This stage would start with the pilot projects. Additional clarification and new material will be necessary to effectively communicate with any or all of the groups necessary.

In summary, the in-service training task has already started with the development of the material to date and will need to be formalized for use in the future years. Some material and techniques developed by TIES and automated districts may be used as resources in this task.

9. Update the UFRS Implementation Plan

The implementation period will extend over several years involving a number of tasks and a large number of individuals and groups. Implementing UFRS statewide is contingent upon a number of factors, all of which are in the future and some unknowns may affect the planned schedule. Therefore, this plan must be modified at least quarterly, to adjust for differing experiences as the implementation progresses.

10. Update Existing Financial Accounting Manual

The existing "Manual of Instructions for Uniform Financial Accounting for Minnesota School Districts" has not been thoroughly revised and updated in several years. Since that time, many changes in state legislation and reporting requirements have created additions to, or reclassification of, many accounts and funds. New multi-district arrangements for special education, vocational education and other non-instructional services have come into being and state aid formulas have also changed which require new financial information to be supplied by the districts.

These changes and the subsequent interpretations of these new requirements have been communicated to the districts business officials and superintendents in special annual instructions and by an accounting memo series. The accumulation of these documents need to be compiled into the several chapters of the basic manual affected by these changes.

During the several years that the UFRS will be in the development and testing process (before and during the conversion period), it is essential that the existing codes and descriptions of financial account classifications be better documented and maintained. The validity of financial information reported, both present and future, is highly dependent on the dissemination of a complete and accurate reference to the providers of districts' financial information.

It is therefore recommended that an investment in time and cost be put into rewriting select sections of the existing manual with updating as required (perhaps annually) until the UFRS is installed state-wide.

11. Integrate Auditing Standards with the UFRS Accounting and Reporting Requirements

In the past (but not recently) there was a seemingly close relationship between the actual accounting and reporting practices in the districts, the State approved chart of accounts and reporting requirements, and the independent outside audit function.

With the advent of a large number of state and federal reimbursable programs, requests for complex financial reports and the advent of computer based financial accounting systems in many of the districts, the accounting, reporting and auditing functions have become more divergent. With the proposed installation of the UFRS on a statewide basis, an opportunity is presented to simplify, and at the same time reduce, the aggregate effort required.

The change to a modified accrual basis, establishment of new accounts and accounting practices, the installation of common computer software and the opportunity to reduce the "auditing" done both at the local level and by State Department program managers, requires the following activities:

a. Review revision and approval of the accounting and auditing aspects of the UFRS manual.

b. Examination, revision and approval of the computer software and related manual procedures and controls from a pre- and post-audit viewpoint.

c. Provision of adequate EDP audit tools to dynamically test program logic, data files and sample transactions independent of the regional centers own software. The installation of common software in seven regional installations covering every school district in the state will make this task necessary and viably economic.

d. Provision of specialized in-service training and computer systems support to the State Auditor's staff.

e. Development of reporting formats and auditing procedures that permit:

1) the required local annual audit and the annual financial report submitted to the Department of Education to be sufficiently similar to assure that audit corrections can be incorporated into that district's UFRS financial data. The objective is to insure that summary financial data used by the Department to compute financial/statistical ratios reflects audit changes.

2) the required local annual audit and such interim and fiscal year-end financial reports required for various state and federal reimbursable programs to be based on the same source documents and accounting files. The objective is to minimize the ancillary record keeping and reporting by local districts to state Department program managers and to maximize the use of a common financial data base created by the local business office through the UFRS to the state and federal level financial information users.

IV. MAJOR TASKS BY ORGANIZATION

A. General

This section will describe the major tasks and provide some additional detail of sub-tasks by organization. This presentation will allow individual organizations to focus on their particular role in the total implementation plan.

Some of the tasks are the sole responsibility of one given organization. In most cases, however, the tasks affect more than one organization.

The major organizations affected by the implementation of the UFRS are the organizational units of the State Department indicated, MECC, the State Auditor and the Information Systems Division of the Department of Administration. Other organizations affected which have no role in the implementation, such as the professional services and education groups, are not included.

There is no significance in the sequence of the organizations listed. The tasks assigned to an organization determine whether failure to perform their responsibilities would have an impact in other areas.

B. School Management Service Division

This division will play a major role in that one of its prime responsibilities is the communication with the districts regarding financial accounting. More specifically, the local/state budget and finance section will provide some of the services currently provided by the State Aids, Statistics & Research Section in school finance matters.

The establishment of this division is part of the latest reorganization plan for the Department of Education. As the key people in this division and their immediate superior have not been hired, this division will obviously have to be staffed before it can perform its functions.

The division reports to the Deputy Commissioner of Operations, a position that is currently open. The Deputy Commissioner of Operations also has responsibilities in the areas of elementary and secondary instruction, vocational education, exceptional instruction and other major users of financial information.

The assistant commissioner position for the School Management Services Division is also currently unfilled. This division contains the transportation, school lunch, school district organization, school facilities planning and the local/state budget and finance sections.

The local/state budget and finance section, in the absence of a plan for implementing the UFRS, would have the responsibility for financial accounting, specification of the standard account structure and policies and interpretations of accounting and reporting classifications. Therefore, the conversion to UFRS, which will replace the current system should also be one of their prime responsibilities.

Both the assistant commissioner and the local/state budget and finance coordinator are suggested to be included as working members of the UFRS Task Force. This division, and the other divisions under the Deputy Commissioner for Operations represent the bulk of the financial information users in the Department. This division would therefore be involved in much of the liaison necessary to establish the chart of accounts, and to maintain the communications channels necessary for the reporting control function (Task 6).

This on-going liaison with many of the users of financial information also would indicate that this division should have the responsibility for Task 2, "Review and Revise the Preliminary Manual". By coordinating reporting requirements, this division will become cognizant of the corrections necessary to the Preliminary Manual.

The portions of Task 8, "In-service Training", relating to Department of Education personnel should be included in their responsibilities.

The assistant commissioner and the local/state budget and finance coordinator, as members of the Task Force, should contribute to the updating of the implementation plan (Task 9).

Although local/state budget and finance sections' duties could well include Task 10, "Updating the Existing Financial Manual", the primary expertise to perform this task is in the State Aids, Statistics & Research section, where this function currently resides. Since the local/state budget and finance coordinator has yet to be hired, Task 10, "Updating the Existing Financial Manual" should not be a primary responsibility of the School Management Services division.

The local/state budget and finance coordinator should devote 80% of his time to combination of tasks assigned. The assistant commissioner should devote 10 to 20% of his time to the UFRS Task Force. In addition, the necessary clerical work involved with the UFRS Task Force should probably be provided by this division.

C. Education Data Systems Section

The Education Data Systems (EDS) Section reports to the State Department of Education's MECC coordinator. For purposes of this plan, both the section and the MECC coordinator will be considered as one unit.

The Education Data Systems Section provides the key linkage between MECC, the Information Systems Division (ISD) of the Department of Administration and the Department of Education's needs for computing capability. EDS' role includes four basic functional areas. These are:

1) Communicate technical policies, standards regarding elementary, secondary and vocational (ESV) information processing within MECC and the regional data processing centers.

2) Specify application software to be operated by the MECC ESV regions.

3) Specify modifications necessary to integrate all statistical and financial systems within the Department of Education.

4) Define computer reporting requirements desired by the Department of Education for implementation by ISD.

EDS must play a significant role in the UFRS Task Force. The MECC coordinator and a lead financial analyst are proposed as two members of the Task Force (Task 1 - "Establish UFRS Task Force").

The financial analyst needs to be aware of and involved in the reporting requirements for State Department of Education users in conjunction with the local/state budget and finance section. Review of existing summary reports to the Office of Education will be required of Education Data Systems as they must combine financial and statistical data for some of these reports.

Modification of the CDS File, part of Task 4, "Integrate Financial and Other Statistical Systems Reporting Requirement" will be shared by EDS and the Information Systems Division of the Department of Administration.

Task 5, "Develop State Level Software to Utilize UFRS Reporting Capabilities" will be a joint responsibility of EDS and ISD on the same basis as current similar efforts.

The establishment and maintenance of the computer directory for the UFRS codes (Task 6) is the responsibility of the EDS section. This directory will have to be modified as the UFRS system and manuals are developed.

"Operate pilot projects" (Task 7) is primarily the responsibility of the MECC regions. However, the out-state regions in particular, and all regions in general, may benefit by close liaison with the technical systems people in the EDS Section. EDS should establish some mechanism to provide the technical clearinghouse function in their role as the developer of the financial application package necessary to implement UFRS.

The portion of "In-Service Training" (Task 8) relating to technical analysts and part of the training required for the technical service representatives should also be a responsibility of EDS.

D. Information Systems Division of the Department of Administration

ISD provides centralized computing support facilities for the entire state government and serves many departments, one of which is the Department of Education. The ISD division is organized by major functional areas and the area most closely involved with the Department of Education also has a responsibility for Higher Education and the Teacher's Retirement Association. The manager of this functional area is one of the original and currently active members of the Reporting Standards Committee, which has had the primary role in the development of the Preliminary Manual to date.

The primary role of ISD is to translate its customers' (in this case, the Department ofEducation) requirements into operating programs and to provide the computer support facilities, including data entry, input/output control, processing and report generation for their customers. This division works very closely with the Education Data Systems Section of the Department of Education as ISD has responsibility

for serving EDS' computing services needs.

ISD is concerned with the system design in implementation and the actual running of these applications in their computer facilities. ISD must be involved in the planning early enough to permit necessary lead time.

Availability of computer media containing district's financial information directly from the MECC's regional processing centers, will change the timing of their computer processing requirements. Since the state has the same fiscal year as the districts, availability of this data and its processing implications will impact ISD at a time (fiscal year-end) which must be considered.

ISD must continue to be kept abreast of the reporting requirements outlined in Task 2, "Review and Revise the Preliminary Manual". They must share responsibility with EDS for Task 4, "Integrate Financial and Other System Reporting at the State Department", Task 5, "Develop State Level Software to Utilize UFRS Reporting Capabilities", and the establishment of the State Department's computer directory (part of Task 6). ISD will need to be advised of any changes to the implementation plan (Task 9).

E. MECC

The Minnesota Educational Computer Consortium (MECC) is an umbrella organization to coordinate and/or service the computer processing needs of all levels of education within the State of Minnesota. Part of MECC's responsibility includes the administrative processing requirements of the elementary, secondary and vocational schools. Existing and proposed computer service cooperatives, such as METRO II and TIES, are a part of MECC. These cooperative computer service organizations will be primarily involved with the administrative (i.e. pupil, personnel, scheduling, accounting, etc.) applications processing. These regions serve the individual school districts whose financial information will be reported to the state.

For purposes of discussing tasks in this chapter, the MECC regions will be grouped as 1) TIES and 2) METRO II and 3) all other (out-state) regions. Both TIES and METRO II have had significant participation (either directly or through representatives from districts they serve) on the Reporting Standards Committee. They have been advised of the committee meetings and have been provided all material supplied to the committee. (See "Acknowledgement" in the Preliminary Manual, Appendix B).

All MECC regions will have technical service representatives or other designated contacts who will have a role in Task 2, "Review and Revise the Preliminary Manual" and will need to receive the documentation on Task 10 "Update Existing Financial Accounting Manual."

1) TIES

TIES has been operating a multi-dimensional financial reporting service for their member districts for several years. They have had considerable experience in the training and conversion of new districts to their system. Though their financial system is one

of the "first generation" multi-dimensional financial systems and as such may present some unique problems to the translation to the UFRS codes, the difference is considered small. In view of the TIES overall capabilities, their UFRS implementation effort will probably be handled by TIES personnel.

TIES part of Task 3, "Installing Systems Capabilities in MECC Regions" will be eased because their system has been operational for some time. However, as their currently known plans do not include the requirement for the UFRS conversion or for necessary pilot testing, review of their current staffing levels in the financial systems area should be considered.

TIES portion of Task 7, "Operate Pilot Projects" should be relatively straight forward. In the case of all existing financial management reporting systems, the effort will be primarily to establish the computer directory necessary to reclassify current operational accounting codes for state reporting. Member districts currently may modify their chart of accounts (within relatively few restrictions) on their volition. The Preliminary Manual may cause some districts to re-examine their chart of accounts to conform to the logic presented therein.

2) METRO II

METRO II is developing a system to serve the needs of Minneapolis, St. Paul, Mounds View and Robbinsdale. These districts currently have individual computing capability and except for Minneapolis, also are operating "first generation" multi-dimensional financial accounting systems.

METRO II's current plans include the acquisition and/or development of a "second generation" financial management reporting system which is more closely aligned with UFRS requirements than first generation systems.

METRO II's portion of the total responsibility under Task 3, "Install Systems Capabilities in MECC Regions" is limited to the conversion of their operational codes for state reporting requirements. Minneapolis' and St. Pauls' systems will therefore be unique because of their size and complexity they are not logical candidates to participate in Task 7, "Operate Pilot Projects." However, one of the two remaining districts, Mounds View or Robbinsdale, could well participate as a pilot project.

METRO II's portion of Task 8, "In-service Training" will probably be limited to the systems analysts and programmers comprehension of reporting standards.

3) All Other (Out-State) Regions

The five out-state regions are planned to be installed during the fiscal years 1975-76 and 1976-77. Computer installation sites will be established as the necessary boards and management organizations are developed.

These five regions will have enough characteristics in common to be considered as one for initial planning purposes.

a) The hardware configurations will be similar enough to provide identical processing capabilities for the UFRS.

b) The software package necessary for implementing the UFRS will be standardized.

c) With 2 or 3 exceptions, all of the member districts will be in experienced in computer based financial management systems.

d) With few exceptions, the technical computer systems staff, the accounting and finance consultant and the technical service representative will need similar in-service training.

e) The regions will serve an average of 77 school districts probably ranging from 36 to 100.

Once a technique or method has been devleoped for the first region, or the first district in a region, the succeeding efforts of a similar nature should be able to be repeated successfully. Since the individual regions will be installed over a two year period, and districts within a region converted within an eighteen month period, a growing body of experience will be developed. The effort necessary to properly plan, develop, document and prepare in-service training will benefit all districts at a fraction of the total cost necessary to obtain similar financial reporting capabilities on an uncoordinated basis.

Task 3, "Install Systems Capabilities in MECC Regions" is the responsibility of the individual regions with support from the MECC central staff. Common hardware specifications, bid evaluation and selection of the requisite software package(s) will be provided to each region.

The computer directories required to translate each district's codes into the statewide standard (part of Task 6) is a responsibility of the regions. As each district will be adding and deleting accounts, each district has a responsibility to maintain their own directory.

"Operate Pilot Projects" Task 7 should follow a master conversion plan but each individual pilot must be planned in detail and schedules documented before conversions begin.

"In-service Training" (Task 8) requires that training material be provided to the regions. The technical service representatives, computer applications analysts and programmers will have been trained by the MECC central staff and EDS to conduct the subsequent training within the district and region.

Since the plan requires conversion of all districts in the state to computer based financial reporting systems, the regions' progress must be reflected in the updated implementation plan.

The technical service representative must be familiar with the updated financial accounting manual (Task 10) for background information in converting each district's financial accounting system.

F. Finance Unit

Part of the responsibilities of the finance unit of the State Department of Education is the preparation for processing warrants (checks) sent from the State Department to the districts. In addition, the finance unit is currently responsible for the determination of each district's indirect cost rates applicable to all federal programs operated by the district.

The UFRS manual should provide both the documentation and the means to:

1) standardize posting of district revenues through the statewide accounting system and

2) reduce local administrative effort for reporting both direct program costs and financial data to compute applicable indirect costs.

Correlation of statewide accounting system's disbursements with districts' revenues will require controls; documentation of both manual and automated procedures to generate the warrants' codes and descriptions. This activity must be coordinated with the Information Systems Division; various sections within the State Department that compute various state and federal aids; and the finance unit. Changes in UFRS revenue accounts and classifications and the cross reference of districts' revenue codes to the codes and descriptions on the warrants will be incorporated in the manual.

There are over seventy federal programs applicable to Minnesota school districts. All federal programs need to be examined and classified to reflect the proper application of indirect cost rates (restricted, unrestricted or not applicable). This effort must be coordinated with the federal programs administrator.

The finance unit's contributions are needed for Task 2, "Review and Revise the Preliminary Manual" and consideration should be given to include a similar cross reference (based on the existing account structure) in Task 10, "Update Existing Financial Accounting Manual".

G. State Aids, Statistics and Research Section

This section has played a major role in the development of the UFRS Preliminary Manual, is a major user of financial information and is currently responsible for the determinations and classifications of accounts, the annual financial report and the maintenance of the existing financial accounting manual.

The proposed UFRS Task Force includes a representative from State Aid and Statistics. It is important that the continuity of effort to date be maintained.

The revision of the Preliminary Manual (Task 2) requires this section's continued input in several areas. These areas include the Revenue section, particularly general state aids, the detailed report definitions as applied to the required district annual financial reports, the statutory requirements and this section's knowledge of the type of information requested by the legislature.

The need to integrate financial and existing statistical systems to provide various ratios for analysis and public information indicates that this section should be involved in Task 4, "Integrate Financial and Other Systems Reporting at the State Department".

As a major user of regular consolidated reports and because they have the responsibility for research, this section will need to be involved in the maintenance of the computer directories indicated in Task 6, "Establish Financial Reporting Controls".

Since this section has been involved in the current in-service training for superintendents and business officials on the current annual financial report, this section should have some responsibility for in-service training of the new manual with the same groups of people.

As the implemenation of the UFRS is several years in the future and since there is a need to update the existing financial manual, the responsibility for Task 10 to "Update the Existing Financial Manual" should be in this section.

H. Federal Programs

"Federal programs" is not a singular organization. For the purposes of this chapter, it includes the federal program coordinator and the many federal program managers within the Department of Education.

This group's responsibility for Task 2, "Review and Revise the Preliminary Manual" includes the list of applicable federal programs, referenced to federal catalogs; the establishment of the indirect rate categories in conjunction with the finance unit; and assistance in defining reports for federal program management and financial purposes.

The individual program managers must review the UFRS' capabilities to critique the code structure. The UFRS system will provide most of their reporting requirements from the "catalog" of accounts in the Preliminary Manual.

Since the federal program area appears to be changing quite rapidly at this time the federal program coordinator and various program managers must provide any changes to be reflected in the UFRS manual.

As financial information systems users, they must be involved in the communications aspect of Task 6, "Establish Financial Reporting Controls".

I. Special Education

The Special Education section needs to assist in revising the Preliminary Manual. The code structure has been established to

report expenditures and revenues by handicapping disability. However, additional report definitions are required.

The anticipated increase in federal aid for special education may involve new programs. Therefore, Special Education must also be involved in the maintenance of the Preliminary Manual.

The UFRS provides financial information relating to indirect cost and the computation of "added" costs. As the capability of the UFRS becomes better known to Special Education, state aid reimbursement formulas based on indirect cost concepts currently used in federal programs (but establishing different criteria for state base costs) should be investigated.

The UFRS has the capability to report tuition by handicapping disability and provides greater detail for reimbursements needed for special education cooperative type arrangements. As these capabilities become understood, changes in the current reporting concepts are anticipated.

J. Vocational Education

The Vocational Education Division will also need to review the Preliminary Manual and to incorporate necessary revisions (Task 2). The UFRS has the capability to provide costs by subject matter area within secondary, post secondary and adult vocational levels. Financial reporting on vocational education, in general, and the AVTIs in particular, is more complex than in the elementary/secondary area. The first version of the Preliminary Manual will need more changes in the vocational area to serve their needs than is anticipated by some of the other user groups.

As a major user of district's programmatic financial information and because of the anticipated number of changes necessary in the UFRS to serve vocational education's needs, it will be improtant that the Vocational Education Division devote a significant amount of time to perform their role in Task 6, "Establish Financial Reporting Controls".

Because AVTIs pose special problems and since one or more AVTIs will be operated as pilot projects, it is recommended that vocational education provide a liaison person for monitoring the related pilot projects. These pilot projects should also include a secondary vocational center.

K. Transportation

The Transportation sections' financial reporting requirements have two basic characteristics. They are:

1) Direct Expenditure Reporting

The UFRS provides capabilities for a greater amount of detail for reporting expenditures and revenues in the transportation fund. Some simplifications have been suggested in the categories of <u>what</u> was purchased (objects).

2) Reporting for Reimbursement Purposes

Transportation has unique problems in this particular area since the classifications for reimbursement must be derived from a cost system not specified in the UFRS. In addition, extensive statistical data to substantiate the prorations of costs for ineligible pupils, K through 12 and secondary transportation costs must be provided. These reimbursement categories are established by state transportation aid legislation, do not relate to other indirect expenditure classifications, and are not related to any direct expenditures for transportation. The UFRS therefore, is not particularly well-suited to meet these requirements.

Task 2, "Review and Revise the Preliminary Manual" needs additional work and special emphasis in the transportation area for the reasons outlined above.

Considerable progress has been made in recent years to consolidate the transportation requirements with the current annual financial report. This effort should be continued as part of this section's effort under Task 6 to maintain and improve the integration of financial information.

L. School Lunch

The School Lunch section is required to review and revise the Preliminary Manual (Task 2). Financial information needs of the school lunch area may require additional effort to integrate their requirements into the UFRS.

The UFRS has the potential capability to provide a greater level of detail for school lunch purposes (such as costs by school) but the timing of these needs has not been established. A complete accounting system has been developed by the Department of Agriculture as a proposal for the types of information that will be required from the school lunch activity. This accounting system, being a special purpose system, is in considerable more detail and better tailored to the school lunch financial requirements than the UFRS. The UFRS should, with slight modification, provide most of the basic detail for reporting requirements. Reconciliation of these two proposed reporting standards and additional systems work needs to be accomplished in this area.

As in the case of transportation, it is anticipated that a significant amount of manual effort, other cost systems and procedures will be necessary in the school lunch area to support their financial reporting activity.

M. Program Management and Analysis Section

This section is not a financial information user or directly involved in the implementation of UFRS. This implementation project, however, crosses a large number of organizational boundaries within the State Department. The program management activity should continue to be involved in the UFRS planning and development.

This section has been involved in the development and review of this implementation plan to initiate the coordination of the UFRS implementation on a program management basis.

N. Other Activities in the State Department

The major activities enumerated above have an input to or requirements for financial reporting from the school districts. Except for those activities in the Department such as procurement, departmental library and similar activities, it is difficult to exclude any group of professionals within the department. The dollar is the most common denominator of any organization's information needs and service to the school districts is the major function of the State Department. The UFRS, in providing more detail such as the subject matter area basis, elementary and secondary costs by school, etc. will provide some financial information regarding school districts in the State of Minnesota to most organizational units.

O. Reporting Standards Committee

The development of the Preliminary Manual has been the responsibility of the Reporting Standards Committee over the last two years. This committee, composed primarily of business managers from school districts with automated systems, must be involved in the subsequent pilot testing and development of the UFRS. Their expertise in accounting and reporting has been valuable to the development of the Preliminary Manual. Since this committee's members are the recipients of requests for financial information from the State Department of Education, their perspective on the total reporting needs exceeds any one individual within the State Department of Education.

The committee's effort has had and should continue to have a favorable impact on the total implementation plan. Their most direct input will be in Task 2, "Review and Revise the Preliminary Manual", Task 8, "Perform Inservice Training", and Task 11, "Integrate Auditing Standards with the UFRS Accounting and Reporting Requirements".

P. The State Auditor

The State Auditor staff's must review, revise and/or approve the UFRS for Minnesota schools before any such system can be adopted by the State Department of Education.

The State Auditor's methods of auditing local school districts accounting processes and reporting will be significantly changed with the installation of the UFRS (as described in the Preliminary Manual) for the following reasons:

1) The change from a cash to a modified accrual basis.

2) A multi-dimensional account structure provides greater flexibility but also requires more account classifications that need verification.

3) An entirely new manual.

4) As all districts in the state will have computer based financial accounting and reporting systems, the state needs to be assured that the software recommended provides adequate audit considerations.

5) The role of the Auditor will be increased as the Department of Education attempts to reduce auditing records at the State Department and increase reliance on locally audited records.

The State Auditor's staff has not been involved to date in the development of the Preliminary Manual except for supplying some answers to a few specific questions posed by the committee.

The State Auditor shares the responsibility for Task 11, "Integrate Auditing Standards with UFRS Accounting and Reporting Requirements" with the Reporting Standards Committee and will have an input to and final approval of the Preliminary Manual (Task 2).

The State Auditor will have a continuing input throughout the UFRS development by participation in the UFRS Task Force (Task 1).

V. ORGANIZATIONAL CONSIDERATIONS

A. General

The development and implementation of the UFRS system requirements, as outlined by the major tasks, imply that some of the organizations responsible for performing these tasks need to consider staffing and structural changes.

Due to the complexity and duration of the tasks outlined in this plan, certain relationships will need to be continued between existing organizations while other relationships will need to be formalized in order to insure that the total implementation effort is continuous and effective.

B. The UFRS Task Force

As indicated under Task 1, this plan recommends the establishment of the UFRS Task Force whose members have part-time assignments for which they can be held accountable to the Task Force Chairman, and job definitions for all Task Force members that include this requirement. The Chairman of the UFRS Task Force should formally evaluate performance of assignments.

By formally specifying assignments and holding individuals accountable for the performance of these assignments, the UFRS can be implemented effectively. This mode of operation is superior to the establishment of a "committee" whose members have primary allegiances elsewhere, are serving part-time on a voluntary basis and whose other operational responsibilities will always have first priority. Schedules must be met and the plan once adopted should not be modified excessively or the entire objective might be lost in the changes.

The membership should remain reasonably constant, their assignments and the time devoted to the Task Force should be reviewed and updated quarterly in conjunction with the UFRS implementation plan. Allowance must be made for the fact that some members will have more time available during certain periods of the year, depending on their other formal organization assignments.

The life of the Task Force should extend for no less that three years nor more than four years, depending on the progress of the implementation plan. At the end of the Task Force's lifetime, most of the one-time problems will have been resolved. The functions carried on by the Task Force then can be absorbed by the regular organizational structure for the maintenance and operation of the integrated financial management system.

The physical and supporting requirements of the UFRS Task Force would be minimal. Some provisions should be made for bookcases, a desk and some part-time secretarial help, all of which may be supported in the formal organization that includes the Chairman of the Task Force. A central place to leave messages and some means of producing the documentation provided by the Task Force's efforts is needed.

C. Reporting Standards Committee

The reporting Standards Committee membership, activity to date and future plans appear in Appendix A of this plan. The Reporting Standards Committee, made up primarily of metropolitan area school business officials with automated systems, has been meeting for a period of two years. These activities can be broken into three phases.

1. Initial Phase

The initial objective of the Reporting Standards Committee was to discuss common problems in the district's relationship to the Department of Education for financial reporting. During this period, the Department of Education was not represented. The committee had originally established at the recommendation of the Director of Intergovernmental Services, as part of the Department of Administration's responsibility to more fully integrate computer reporting capabilities among all units of government, including education.

2. Phase 2

Late in 1972, Phase 2 commenced with the Department's recognition of the role and benefits that this committee could provide to the Department. During this time, the members met regularly and started defining the broad outlines of the account structure, accounting methology and general philosophy of a reporting system that could be standardized and yet take advantage of the districts' computer capability.

During this period, the 1973 legislature required that the Department provide a plan for implementation of a system, which closely paralleled the system the committee was developing. This phase ended when the chairman was reassigned within state government, a new chairman selected and the committee resumed their efforts.

3. Phase 3

During the two previous phases, the committee's efforts were hampered somewhat by the lack of a full-time person to coordinate, document and communicate some of the ideas proposed within the Department of Education. A consultant was hired in March, 1974, and his responsibilities have been to aid the committee in their documentation, incorporate their material into the Preliminary Manual and to create this implementation plan.

Two conclusions are presented as follows:

1. The Reporting Standards Committee, having developed the UFRS system to this point, possesses a substantial body of knowledge and has provided beneficial services to the Department of Education.

2. The committee continues to require some staff assistance to maintain the continuity, provide documentation and to give it visibility within the Department of Education.

The chairman has been able to represent the districts' viewpoints because he has been a school business official. The committee's membership has been made up primarily from the school districts' business officials and has met periodically, either once a month for a full day or for half a day twice a month. This mode of operation should continue.

The Reporting Standards Committee's current size and complement have also proven effective. A larger committee representing more diverse interests would diminish its effectiveness. A smaller committee probably could not adequately represent the spectrum of Minnesota school districts. The committee has established communications channels to the Department of Finance, MECC, METRO II, TIES, the State Auditor, several other interested individuals and the State Planning Agency. When the local/state budget and finance coordinator position is filled, he should be a member of this committee as his role in the Task Force. His ongoing operational role within the school management division will be greatly enhanced by exposure to the committee's considerations.

The Reporting Standards Committee has demonstrated its ability to contribute to the UFRS as an outside, independent, volunteer group of ombudsmen to represent school districts' interests and therefore should be continued. It is not recommended that the committee be expanded to include school superintendents or other people within the Department of Education. An increase in size may decrease its effectiveness. The primary thrust should continue to be the reduction of the administrative burden within the school districts as related to their total financial information reporting requirements.

D. Educational Data Systems Section

The Educational Data Systems (EDS) Section, the service organization within the Department of Education for computer processing, has a significant role in the development of the UFRS.

This section's tasks in the UFRS implementation have been outlined in Chapter III. Its present staff is involved in the maintenance and refinement of other statistical systems such as the Fall Report, the Personnel Assignment System and the C/D/S File. A considerable amount of their current effort is devoted to producing reports on their current data base. Processing financial data in the present annual financial report is one of their high priority projects. The needs of the Department for pupil and financial accounting systems must also be analyzed, developed and made operational. The UFRS Preliminary Manual provides a starting point in detailing the Department's financial information needs.

The UFRS implementation will have two basic affects on EDS.

1. Short Term

To implement the UFRS, the EDS section must specify and modify software for the MECC regional processing centers. This function, and the associated problems arising from integrating the proposed system with the existing financial and/or statistical systems, represents a substantial increase in work load.

2. Long Term

Once the UFRS financial accounting detail becomes available, the maintenance and development of new additional reporting requirements using available information will expand greatly. The history of computer systems development indicates that initial requirements for information are relatively low as the user has little or no appreciation of what the new reports can do for his operations. Once users become aware of these capabilities, the computer systems people are inundated with requests for more information which requires more work in developing new reports, computation of additional ratios and more sophisticated combinations of data.

The EDS section is nearing the point where it cannot respond, on a timely basis, to information requests within the Department on the current data base. Meeting new and additional needs with their present staffing, clearly indicates the need for additional staffing in the near future.

Financial systems tend to be more complex, and to require additional skills (particularly in accounting) to a greater degree than found in most systems people's experience. It is therefore recommended that EDS staff be complemented by two people to operate as a team for the development and implementation of the UFRS system. This addition to staff is expected to be permanent because as the initial development and one-time efforts diminish, the ongoing work of better serving their information users will expand.

E. School Management Services

This division is currently a paper organization only and was created in part to better serve the Department's responsibilities to the districts for financial and business type operations. Certain functioning units do exist which will be integrated into this division.

In many respects it should be easier to establish the requirements for UFRS in a new organization than in an organization that has already built up an operational work load. As this division will be the primary unit for the communication of financial information reporting requirements to the district, and responsible with the Education Data Systems for the development and operations of the UFRS, it is mandatory that this division re-examine its staffing requirements with respect to the development and implementation of the UFRS for its first three years.

F. Regional Processing Centers

This section will emphasize the organizational considerations of the five new out-state regional processing centers. The other two regions, TIES and METRO II, have been already established, have a different scope of problems but have sufficient experience and expertise to handle the impact of the UFRS on their organization and member districts with little outside assistance.

The experiences of both METRO II and TIES can be utilized to assist in recommending organization structure, staffing, schedules, methods and procedures for the five out-state districts. The conversion of their individual member districts by the out-state regions will be similar to that experienced by TIES. Problems relating to installation of the computer software and other technical considerations will be similar to those faced by METRO II.

There will be many individual differences between the regions due to the regions' and member districts' boards, individuals' attitudes, interest, experience and regional political considerations. However, the general management requirements and technical staffing considerations should provide a common denominator among out-state regions.

The basic organization structure and individual position descriptions required in the regional processing centers will be similar. There will be different numbers of people required at the lower levels for input control, data entry and operations.

Other functions necessary to allow the regions to perform their entire spectrum of activity, including applications in computer assisted instruction, personnel/payroll, student and staff accounting, scheduling, etc. are not properly a part of the UFRS implementation plan.

Successful implementation and maintenance of a computer based financial management system such as the UFRS, requires a composite of individual skills. The knowledge and background required (in different mixes for different positions) include that of public school accounting and computer systems.

Three types of positions (with arbitrarily assigned descriptive titles) appear essential in the out-state regions and are described as follows:

1. Accounting and Finance Consultant

This position should be filled by a highly competent individual with a school district business background who has some familiarity with similar computer systems. His experience and training should have been primarily in the accounting and finance area. Prior to and during the conversion of each and every district, it is recommended that such an individual be available within each region. During each and every conversion, problems will arise involving account classifications, establishment of controls, accounting procedure changes, etc. which require communication with individual business managers or accountants. It is impracticable to fully document the answers to all questions that will arise. Nor is it practicable to expect one or two individuals at the state level to be accessible or available to answer questions in 500 districts and reporting units over a two and a half year period. This individual would be the regional counterpart of the local/state budget and finance coordinator in the School Management Services Division of the Department of Education.

2. Technical Services Representative

These individuals would be assigned in sufficient numbers to each regional office to serve member districts. They would travel to and work with the individual school districts on their conversions. Their accounting expertise would not need to be as extensive as the accounting and finance consultant's but they should be able to handle basic accounting and financial questions. They would require more computer systems' expertise than the consultant in that they should be able to understand and explain detailed operations of the input/output functions, systems control and be aware of file structures and systems logic sufficiently to be able to prevent computer operations problems.

Since the regional processing centers will be serving their member districts in several other application areas, the technical service representatives must also be knowledgeable in these other application areas. At least two Technical Service representatives will be required in each region during the conversion period to devote most of their time to the UFRS implementation. As other applications are developed and the UFRS implementation progresses, more of their time can be devoted to other application areas.

3. Financial Computer Systems Analyst

This individual's primary expertise would be in the computer systems area. He should have had sufficient experience with general accounting to be able to communicate technical systems considerations (in terms comprehensible to the technical service representative and the accounting and finance consultant) and to communicate accounting needs for software modifications into programming specifications.

The rate at which the implementation of the UFRS progresses, the accuracy with which the conversions are made and the validity of the financial information provided for the first several years is highly dependent on accomplishing the tasks of the positions described.

Other educational information systems, such as pupil reporting, staff accounting and computer assisted instruction, can be adequately established and maintained by a team consisting of professional educators and expert programmers. This is not the case in implementing a financial management system.

G. Recruiting and Staff Timing

Plans for establishing computer installations cannot be based on the assumption that everything necessary will be in place on the same day, for example, the first day of the accounting year. The delivery of physical computing devices, software, documentation, site availability, etc. are much more predictable than the acquisition of the people necessary to staff these new installations. Too often money paid out for rent or invested in physical assets is wasted and/or unused, waiting for the necessary staff.

These factors, particularly the recruitment of staff with certain experiences and backgrounds as outlined above, will be more important for the out-state regions than have been experienced by TIES and METRO II. The needed expertise, particularly in the computer systems area, tends to congregate in the Twin Cities metropolitan area and not out-state. It may be advisable to commence recruiting months in advance of the actual need and, in some cases, hire individuals for specific regions long before the hardware systems necessary are in place to obtain the the experienced people necessary. Some training and organizing tasks are not dependent on hardware. Individuals assigned to out-state regions can be provided training at TIES or METRO II to simulate actual experiences until the new site is operational.

VI. IMPLEMENTATION TIMING

A. Summary

The implementation of the Uniform Financial Reporting System for Minnesota school districts (UFRS) will require four to five years. Figure VI-1 "Proposed Implementation Timing" (See Page VI-5) indicates the time required to complete the eleven (11) tasks defined.

The "Statewide UFRS Availability" at the bottom of the page indicates the time that all districts and reporting units in the state will have been converted to the new accounting and reporting standard to enable statewide summaries by school, program category, and instructional level. Two alternative beginning dates are shown as Option 1 and Option 2.

Option 1, August, 1978, the earliest possible time, has several built-in assumptions. For example, Option 1 requires that all districts, not converted at the end of the 1976-77 fiscal year, will be converted early in the 1977-78 year and that their year-to-date financial "history" be converted to the new system during the 1977-78 year. Prior to conversion, these remaining districts will perform accounting and processing manually on their old system. At the time of conversion, amounts in the existing accounts will be pro-rated to provide costs and revenues by school and by program category. These estimates, done after the fact, could be rough. On a statewide basis, the aggregate amounts should not be in any meaningful error, as the larger districts, with the substantial dollar amounts, will have been converted prior to the 1977-78 year and these amounts are assumed to be relatively accurate.

Option 2, August 1979, is the most likely date. This allows for some slippage in the conversion of the out-state regions and allows all districts (including those converted in 1977-78) to have one full year of operation before reporting to the state on the UFRS standard. This option does not require the conversion of history of any district, as all districts are scheduled to be converted during the prior year.

The decision as to which option will prove practicable will not need to be made until late in 1976-77.

In either case, all districts will continue to report on the old basis (current financial accounts required by the state) until all districts can report on the UFRS basis.

B. Timing by Task
(Reference: Proposed Implementation Timing, Figure VI-1)

1. Task 1- Establish UFRS Task Force

The department should initiate the UFRS Task Force with existing personnel in anticipation of legislature approval of the UFRS plan. The Task Force should remain in existence until all

districts can report on the UFRS basis (August 78 or August 79). At the end of the first reporting year, the duties of the Task Force should be absorbed into the regular organization.

2. Task 2 - Review and Revise Preliminary Manual

The Preliminary Manual (included in this plan as Appendix B) is the first edition which will serve as a working document for review and orientation purposes during the current fiscal year. This manual will be widely distributed for comments, corrected and re-issued. The second edition will establish the financial accounting and reporting standards for the Pilot Projects.

After the Pilot Projects in the first two regions have been established, the manual will be revised and updated. The third edition will become the standard manual for the UFRS system. At that time, this task will terminate. Any further necessary revisions to the manual will be part of Task 6, "Establish Financial Reporting Controls".

3. Task 3 - Install Systems in MECC Regions

This task represents the "critical path" in the entire project; that is, all other activities can be accomplished within the time frame of this task. This task involves the active participation of the largest number of individuals, boards, committees and individual districts within the MECC regions. The completion of the project is dependent upon the establishment and operation of all regional MECC processing capabilities in the next biennium as scheduled.

The first out-state region to become organized has been allowed 24 months to convert all member districts. The last or fifth region has been allowed 18 months for their conversions. This requires dedication to a scheduled effort by the MECC E/S/V processing centers and the member districts to install the Uniform Financial Reporting System in all districts in the state.

Within each region, a large number of districts must be converted during any time period. Some groups of districts must be converted during (not at fiscal year end, which is the preferred time) the fiscal year. Conversions must be done to minimize follow-up and post installation problems. Post conversion problems must be handled by the districts as the installation teams within each region will not have time to back-track to redo a particular district's conversion. The schedule requires that the installation team proceed to other districts.

4. Task 4 - Integrate Financial and Other Systems at the SDE

This is a continuing task, with the bulk of the effort in the first two years and a maintenance effort required as other systems become developed.

5. Task 5 - Develop State Level Software for UFRS Reports

The bulk of the effort will be done in the first two years. As test data becomes available during the 1976-77 year, sample reports can be processed from selected districts. During the 1976-78 years, the bulk of the state required reports will be developed and thoroughly tested. In August, 1978 (option 1), or August, 1979 (option 2), all state level software required for UFRS reports will be in place to process every district's and reporting unit's data.

6. Task 6 - Establish Financial Reporting Controls

Reporting controls will be aided by the development of a computerized chart of accounts and the UFRS manual. Both of these devices should be produced early in the 1975-76 year. During the 1975-76 year, there will be no "controls" relating to UFRS for the state department users. During the 1976-77 year, detailed procedures to control requests for financial data will be established to become fully effective in 1977-78.

7. Task 7 - Operate Pilot Projects

The purpose of the Pilot Projects is to perform live tests on actual districts' operation. This includes in-service training, demonstrating the applicability of the UFRS chart of accounts, the users manual, and other documentation necessary to install the UFRS system in all other districts.

The schedule requires the installation of the UFRS processing capability in the seven regions. Although TIES and the METRO II schools have similar systems, their "pilot" tests will not begin until 1976-77. By this time, METRO II and TIES will have converted their individual districts to a newer generation multi-dimensional financial budgeting and accounting system to support the UFRS reporting requirements.

Other interim or partial pilot efforts may occur in the current year and early in 1975-76. If any out-state districts or new TIES members install a multi-dimensional financial accounting system before the designated pilots, these districts will be asked to use the UFRS chart of accounts as a model. Use of the UFRS and other related training material in existence at that time will assist in the development and refinement of the necessary procedures for the designated pilot projects. Any such interim effort is encouraged in this plan.

The installation of the hardware and software systems in the out-state regions is critical to maintenance of the plan's schedule. Allowing a few districts to install the recommended software at the earliest possible date will provide additional opportunities to test the UFRS chart of accounts and will minimize difficulties anticipated in meeting the Task 3 time frame.

8. Task 8 - Perform In-service Training

This is a continuing task. The formal part of this task will start late in the current fiscal year with the research of existing material and the development of material for the first pilot projects.

9. Task 9 - Update UFRS Plan

The first update should occur after the Task Force has been established (Task 1) in the third quarter of this year. The plan would be updated quarterly thereafter until the project is complete.

10. Task 10 - Update Existing Financial Manual

This task requires that parts of the existing financial manual be re-issued and annual updates provided for each of the next three years.

11. Task 11 - Integrate Audit Standards With UFRS

This is also a continuing effort. The bulk of the required effort occurs in the current fiscal year and in the first year of the next biennium.

C. Year I - Fiscal Year 1974-75

The following pages indicate the major tasks, and some identifiable subtasks scheduled for the current year (first year of the implementation plan).

Most of the effort in the first half of the year involves completing the Preliminary Manual for distribution, and initial efforts in the software documentation. The second half of the year includes researching and developing inservice training material, defining some of the state level software, making preparations for the pilot projects and insuring that regional software developments meet auditing requirements.

D. Year II - Fiscal Year 1975-76

The activities in year II are organized around the hardware and software installation for the first region in first quarter, for the second region in the third quarter, and for the fourth region in the fourth quarter. Supporting activities involve the development, delivery and evaluation of inservice materials and training for the pilot installations for these regions.

At the state level, the primary emphasis will be on the continued development of the state level software for UFRS reports and the reissue of the UFRS manual based on results from the pilot districts for the balance of the installations.

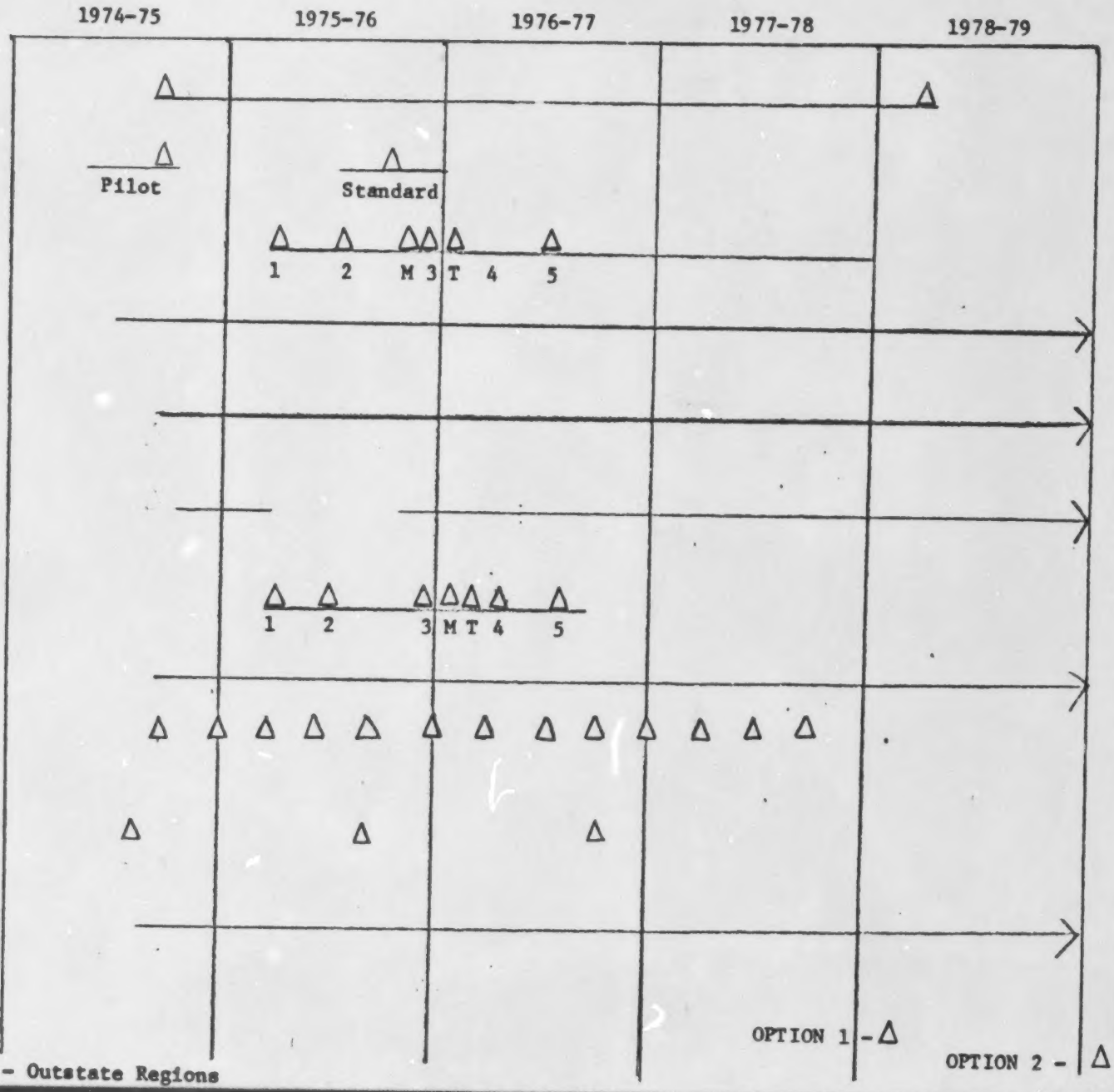
PROPOSED IMPLEMENTATION TIMING

IMPLEMENTATION TASKS
($ 1975-1977)

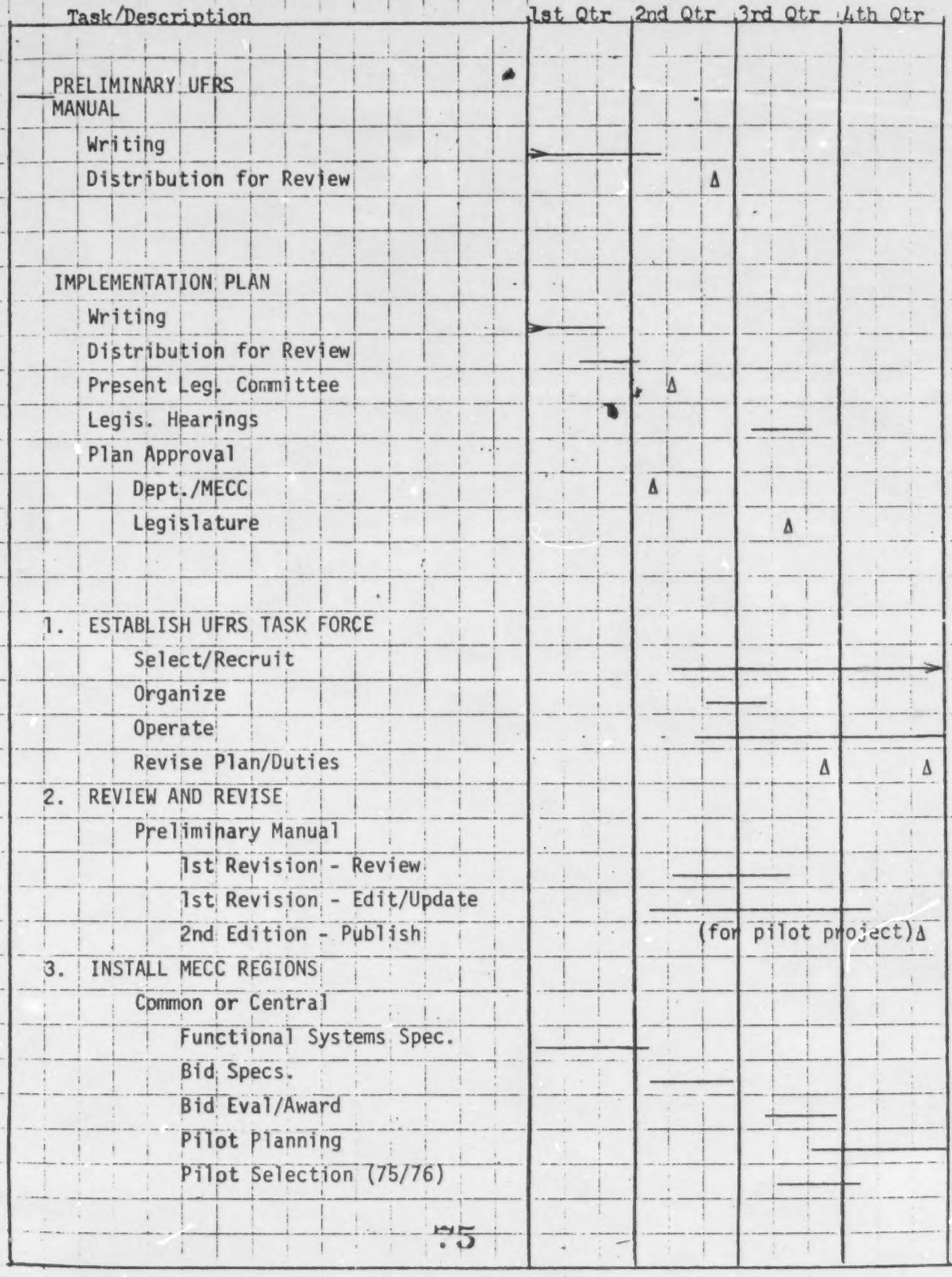
1. Establish UFRS Task Force ($12,000)
2. Revise Preliminary Manual ($7,200)
3. Install Systems in MECC Regions* ($154,000)
4. Integrate Financial and Other Systems at SDI (4&5-$176,000)
5. Develop State Level Software for UFRS Reports (See 4.)
6. Establish Financial Reporting Controls ($9,600)
7. Operate Pilot Projects* ($70,000)
8. Perform Inservice Training ($270,800)
9. Update UFRS Plan (0)
10. Update Existing Financial Manual (0)
11. Integrate Audit Standards with UFRS (0)

Statewide UFRS Availability
(Total $699,600)

*M-METRO II T-TIES, 1 through 5 - Outstate Regions



Year I , Fiscal Year 1974-75
IMPLEMENTATION TIMING



Year I , Fiscal Year 1974-75
IMPLEMENTATION TIMING

Task/Description	7/74 1st Qtr	2nd Qtr	1/75 3rd Qtr	4th Qtr	6/75
3. INSTALL MECC REGIONS					
System Req. UFRS Translator					
Program Spec. UFRS Translator					
Programming					→
Financial Application Software					
Specification					
Modify/Document add.					
METRO II*					
Site Installation					
Development					→
1st Region					
Recruit Staff					
4. INTEGRATE FINANCIAL AID AND OTHER SYSTEMS AT SDE					
Analyses of C/D/S and UFRS					
Common Linkage					
C/D/S and UFRS Specs and Update Procedure					
SAS Disbursement and UFRS Revenue Analysis					
SAS/UFRS Cross Reference					
SAS Procedures					
UFRS 1st Revision					A

#METRO II Plans - Fiscal

Year I , Fiscal Year 1974-75
IMPLEMENTATION TIMING

7/74 1/75 6/75

Task/Description	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
5. DEVELOP STATE LEVEL SOFTWARE FOR UFRS REPORT/				
Orientation for EDS/ISD on UFRS Requirements			———	
Evaluate Regional Software for State Applicability			———	
6. ESTABLISH FINANCIAL REPORTING CONTROLS				
Develop Sub Acct Descrip.		———	———	
1st Rev. UFRS Manual				Δ
C/A Directory Spec.			———	

Year I , Fiscal Year 1974-75

IMPLEMENTATION TIMING

7/74 1/75 6/75

Task/Description	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
7. OPERATE PILOT PROJECTS				
Develop Selection Criteria		—		
Select District (75/76)			—	
Planning and Procedures			—	—
8. INSERVICE TRAINING				
Detail Requirements			—	—
Research Existing Material				—
Orientation Sessions		—	—	→
9. UPDATE UFRS PLAN				
Evaluate Current Status			—	—
Document			—	—
Distribute Updated Plan			Δ	Δ
10. UPDATE EXISTING FINANCIAL MANUAL				
Write/Review		—	—	
Print			—	
Distribute			Δ	
11. INTEGRATE AUDIT/UFRS				
UFRS Manual Review		—	—	
Review Fin. Application Soft.			—	—
Recommend Changes				—
Spec. EDP Audit Tools				→
Develop Audit/UFRS Reports			—	

Year II, Fiscal Year 1975-76

IMPLEMENTATION TIMING

Task/Description	7/75 1st Qtr	2nd Qtr	1/76 3rd Qtr	4th Qtr	6/76
1. ESTABLISH MECC TASK FORCE					
Select/Recruit	→				
Revise Plan/Duties	Δ	Δ	Δ	Δ	
2. REVIEW AND REVISE					
Preliminary Manual					
2nd Revision Review					
2nd Revision Edit/Update					
3rd Edition Publish				(IMPLEMENTATION STANDARD) Δ	
3. INSTALL SYSTEMS IN MECC REGIONS					
Common or Central					
UFRS Translate and Format					
Programming	→				
Test & Document					
Installation in METRO II			Δ		
Modification for TIES			→	→	
EDP Audit Tools					
Evaluate Spec.					
Acquire/Document					
METRO II*					
Development					
Conversion					
Operational				Δ	
TIES (old system)					
New C/A in New Districts					
1st Region					
Recruit Staff	→				
Training					
Site Installation	Δ				
Pilot Planning					
Pilot Installations		Δ Δ			
Other Installations			→	→	

*METRO II Plans - Fiscal

Year II, Fiscal Year 1975-76
IMPLEMENTATION TIMING

Task/Description	7/75 1st Qtr	2nd Qtr	1/76 3rd Qtr	4th Qtr	6/76
2nd Region					
Recruit Staff	—	—			
Training	—	—			
Site Installation	—	—	Δ		
Pilot Planning		—	—		
Pilot Installations			Δ —	Δ	
Other Installations			—	—	→
3rd Region					
Recruit Staff			—	—	
Training				—	
Site Installation				—	Δ
Pilot Planning				—	
Pilot Installations				—	Δ
4. INTEGRATE FINANCIAL AND OTHER SYSTEMS AT SDE					
C/D/S Programming & Testing	—	—			
Pupil, Personnel, etc.			—	—	→
Maintenance	—	—	—	—	→
5. DEVELOP STATE LEVEL SOFTWARE FOR UFRS REPORTS					
System Analysis					
Input File Design	—	—			
Editing	—	—			
File Maintenance	—	—			
Report Specification	—	—	—	—	→
Program Specs.					
Input/Edit	—	—			
File Maintenance	—	—			
Report Specification		—	—	—	→

Year II, Fiscal Year 1975-76
IMPLEMENTATION TIMING

Task/Description	7/75 1st Qtr	2nd Qtr	1/76 3rd Qtr	4th Qtr 6/76
5. CONTINUED				
Programming & Testing				
Input/Edit				
File Maintenance				
Reports				
6. ESTABLISH FINANCIAL REPORTING CONTROLS				
C/A Directory Specs				
C/A Programming				
C/A Directory		Δ		
Update C/A Directory				
7. OPERATE PILOT PROJECTS				
Select District 76/77				
1st Region				
Pilot Planning and Training				
Pilot Installation		Δ Δ		
2nd Region				
Pilot Planning and Training				
Pilot Installation			Δ Δ	
3rd Region				
Pilot Planning and Training				
Pilot Installation				Δ

Year II, Fiscal Year 1975-76
IMPLEMENTATION TIMING

Task/Description	7/75 1st Qtr	2nd Qtr	1/76 3rd Qtr	4th Qtr	6/76
8. INSERVICE TRAINING					
Develop/Acquire Material					
General	—				
Operation/Accounting	—				
Software Systems	—				
Info Users - State	—				
User Manual (Print)	Δ				
Inservice Workshops	Δ	Δ	Δ	Δ	
1st Region Pilot					
Sup't./Public	—	—			
Business/Accts.	—	—			
Systems	—	—			
Tech Service	—	—			
Finance Cons.	—	—			
1st Region Other Install.	—	—	→	→	
2nd Region Pilots		—			
(Repeat of 1st)					
2nd Region Other Install.			—	→	
3rd Region Pilots				—	
(Repeat of 1st)					
3rd Region Other Install.				→	
Evaluate Inservice Training	—	—			
Modify Material/Methods			—		
Orientation Sessions	→	→	→	→	
9. UPDATE UFRS PLAN	Δ	Δ	Δ	Δ	
10. UPDATE EXISTING FINANCIAL MANUAL					
Write/Review		—	—		
Print			—		
Distribute				Δ	

Year II, Fiscal Year 1975-76
IMPLEMENTATION TIMING

Task/Description	7/75 1st Qtr	2nd Qtr	3rd Qtr	1/76 4th Qtr	6/76
11. INTEGRATE AUDIT/UFRS					
Develop Audit/UFRS Reports			———		
Spec. EDP Audit Tools	➤				
Acquire EDP Audit Tools	———	———			
EDP Audit Training		———	———		

E. Year III - Fiscal Year 1976-77

From a planning viewpoint, year III will be primarily the continuation of efforts initiated and under way in year II. Installation of the 4th region in the first quarter and the fifth region in the second quarter are the major efforts scheduled in the regions. At the state level, the continued integration of financial and other systems requirements, and development of state level software will continue.

At the beginning of this year, all the TIES and METRO II districts should be capable of reporting to the state in UFRS formats for this fiscal year. Since most other districts will not have this capability for 1 or 2 years, and since some reporting standards must be maintained continuously, all districts would report on the old (non-UFRS) basis.

F. Year IV - Fiscal Year 1977-1978

In Year IV the remaining districts in all out-state regions will be converted during the last half of the year.

During the first quarter, all state level software should be tested utilizing selected data from pilot projects from all regions.

Early in this year, a decision must be made either to convert remaining districts financial history (required for option 1) or if this appears to be impossible, not convert remaining districts financial history (option 2).

(NOTE: Option 1 would provide UFRS reporting capability for all districts for the fiscal year 1977-78. Option 2 would add another year).

The financial controls should be fully established in this fiscal year with either option; that is all financial reporting required by any units of the State Department of Education must be consistent with the catalogue of reportable financial subaccounts established by the UFRS.

G. Year V - Fiscal Year 1978-79

Year V is the last year of the transition (if option 2 is determined to be the most feasible) or the first year that UFRS reports are available (if option 1 proves feasible).

The maintenance and minor development work involved in generating new or additional financial reports and the continued integration of the audit requirements with the UFRS philosophy should be continued.

Year III, Fiscal Year 1976-77
IMPLEMENTATION TIMING

Task/Description	7/76 1st Qtr	2nd Qtr	1/77 3rd Qtr	6/77 4th Qtr
1. ESTABLISH UFRS TASK FORCE				
Revise Plan/Duties	Δ	Δ	Δ	Δ
2. REVIEW AND REVISE PRELIMINARY MANUAL (Complete Transferred to VI)				
3. INSTALL SYSTEMS IN MECC REGIONS				
TIES - All Districts (New System)	Δ			
METRO II - All Districts (New System)	Δ			
1st Region Installations	→	→	→	→
2nd Region Installations	→	→	→	→
3rd Region Installations	→	→	→	→
4th Region				
Recruit Staff	—			
Training	—			
Site Installation	Δ			
Pilot Planning	—			
Pilot Installations	Δ			
Other Installations		→	→	→
5th Region				
Recruit Staff		—		
Training		—		
Site Installation		Δ		
Pilot Planning			—	
Pilot Installations			Δ	
Other Installations			→	→
4. INTEGRATE FINANCIAL AND OTHER SYSTEMS AT SDE				
Maintenance	→	→	→	→
Pupil, Personnel, etc.	→	→	→	→

Year III, Fiscal Year 1976-77
IMPLEMENTATION TIMING

Task/Description	7/76 1st Qtr	2nd Qtr	1/77 3rd Qtr	4th Qtr 6/77
5. DEVELOP STATE LEVEL SOFTWARE FOR UFRS REPORTS				
Additional Reports (System Analysis Program Spec) Programming and Testing	→	→	→	→
Gen. Report Production (Pilot Projects - 1st 3 regions sample reports)	Δ			
6. ESTABLISH FINANCIAL REPORTING CONTROLS				
Update C/A directory	→	→	→	→
Update UFRS Manual	→	→	→	→
7. OPERATE PILOT PROJECT				
4th Region				
Pilot Planning	—			
Pilot Installations	Δ			
5th Region				
Pilot Planning		—		
Pilot Installations			Δ	
8. INSERVICE TRAINING				
4th Region Pilots				
Sup[illegible] Public	—			
Business/Accts.	—			
Systems	—			
Tech Service	—			
Finance Cons.	—			

Year III, Fiscal Year 1976-77
IMPLEMENTATION TIMING

Task/Description	7/76 1st Qtr	2nd Qtr	1/77 3rd Qtr	4th Qtr	6/77
5th Region Pilot					
Sup't./Public		—			
Bus./Accts.		—			
Systems		—			
Tech Service		—			
Finance Cons.		—			
Inservice Workshops	Δ	Δ	Δ	Δ	
Orientation Sessions	→				
9. UPDAIE UFRS PLAN	Δ	Δ	Δ	Δ	
10. UPDATE EXISTING FINANCIAL MANUAL					
Write/Review			—		
Print			—		
Distribute			Δ		
11. INTEGRATE AUDIT/UFRS					
Maintenance of					
Procedures/Reports	→	→	→	→	

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Year VI, Fiscal Year 1977-78
IMPLEMENTATION TIMING

Task/Description	7/77 1st Qtr	2nd Qtr	1/78 3rd Qtr	4th Qtr	6/78
1. ESTABLISH TASK FORCE					
Revise Plans/Duties	Δ	Δ	Δ	Δ	
2. REVIEW AND REVISE					
Preliminary Manual (complete transferred to VI)					
3. INSTALL SYSTEMS IN MECC REGIONS					
1st Region	→				
2nd Region	→				
3rd Region	→				
4th Region	→				
5th Region	→				
4. INTEGRATE FINANCIAL AND OTHER SYSTEMS AT SDE					
Maintenance	→				
Pupil, Personnel, etc.	→				
5. DEVELOP STATE LEVEL SOFTWARE FOR UFRS REPORTS					
Additional Reports (Systems Analysis, Program Specs, Programming & Testing)	→				
Gen. Report Production (Pilot projects all regions sample reports)	Δ				
6. ESTABLISH FINANCIAL CONTROLS					
Update C/A Directory	→				
Update UFRS Manual	→				

Year IV, Fiscal Year 1977-78
IMPLEMENTATION TIMING

7/77 1/78 6/78

Task/Description	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
7. OPERATE PILOT PROJECTS (Complete)				
8. INSERVICE TRAINING				
3rd Region Installations	→	Δ		
4th Region Installations	→		Δ	
5th Region Installations	→			Δ
Inservice Workshops	Δ	Δ	Δ	Δ
Annual Financial Conference				
9. UPDATE UFRS PLAN	Δ	Δ	Δ	Δ
10. UPDATE EXISTING FINANCIAL MANUAL (Complete)				
11. INTEGRATE AUDIT/UFRS				
Maintenance of Procedures/Reports	→	→	→	→

Year V , Fiscal Year 1978-79
IMPLEMENTATION TIMING

Task/Description	7/78 1st Qtr	2nd Qtr	1/79 3rd Qtr	4th Qtr	6/79
1. ESTABLISH TASK FORCE (Complete)	A				
2. REVIEW AND REVISE PRELIMINARY MANUAL (Complete - transferred to VI)					
3. INSTALL SYSTEMS IN MECC REGIONS (Complete)					
4. INTEGRATE FINANCIAL AND OTHER SYSTEMS AT SDE					
Maintenance	→	→	→	→	
Pupil, Personnel, etc.	→	→	→	→	
5. DEVELOP STATE LEVEL SOFTWARE					
Additional Reports (Systems Analysis, Program Specs, Programming and Testing)	→	→	→	→	
Report Production (See next page)					
6. ESTABLISH FINANCIAL CONTROLS					
Update C/A Directory	→	→	→	→	
Update UFRS Manual	→	→	→	→	

Year V , Fiscal Year 1978-79
IMPLEMENTATION TIMING

7/78 1/79 6/79

Task/Description	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
7. OPERATE PILOT PROJECTS (Complete)				
8. INSERVICE TRAINING				
State Dept. of Education				
Annual Financial Conference				Δ
9. UPDATE UFRS PLAN (Complete)				
10. UPDATE EXISTING FINANCIAL MANUAL (Complete)				
11. INTEGRATE AUDIT/UFRS (Maintenance of Procedures/Reports) →				
STATEWIDE UFRS REPORT AVAILABILITY				
OPTION 1				
Convert History of 77/78 Installations (at time of installation)	▲			
OPTION 2				
Do not convert history ,allow FY 78/79 for all districts to operate one complete FY on UFRS				Δ

VII BUDGETARY COST CONSIDERATIONS

A. General

The purpose of this chapter of the implementation plan is to estimate the incremental cost of continuing the implementation of the UFRS in the current year and in the next biennium.

All cost itemized within this chapter are summarized in the Department of Education's regular appropriations request to the 1975 Legislature. This section provides further detail to those requests in the context of the Tasks outlined in this plan.

The Tasks contained in the plan (see Section V) concern the design, development and installation of the necessary procedures and computer software to provide the new financial reporting capability statewide. These Tasks, for the most part, describe what must be done in addition to the currently planned financial reporting, processing, and development of an administrative data processing capability in the MECC regions. The state currently has a financial reporting requirement and in some similar form this requirement will continue until the UFRS replaces the current methods. The MECC outstate regions are planned to support administrative processing for their member districts in the next biennium. The implementation plan for the UFRS merely re-directs some efforts, necessitation some additional (or incremental) costs of implementing the UFRS.

Development of these budgetary cost considerations has been a cooperative effort by the consultant; the Education Date Systems section, the Program and Management Analysis section, and the MECC coordinator of the Department of Education; the MECC Assistant Director for Adminstrative Service; and the Information Systems Manager for the Education area of the Information Systems Division of the Department of Administration.

B. Current Fiscal Year (1974-75)

1. First Half

Budgeted costs for the first half of the current year include only the production costs of the Preliminary Manual. These funds, in addition to the consultant's contract for the balance of the current year, are available within the Department's current budget. (See Figure VII-I on the following page).

2. Second Half

The costs for this period include the revision of the Preliminary Manual incorporating changes and comments from superintendents and business officials, auditors and users of financial information within the Department of Education. (See Figure VII-I on the following page)

These funds are not available currently and are included in a supplemental budget request from the Department to the 1975 Legislature.

1974-1975 BUDGET REQUEST

Figure VII-1

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	TOTAL
PRELIMINARY MANUAL					
Finish typing on Work Processing	N/C	N/C			
Distribute 1200 copies (initial)					
Print @ $5.00		$6,000			$6,000
Mail @ $1.00		1,200			1,200
Clerical/Secretarial (1) @ $500/mo.*					
Roughdraft, correspondence, collate corrections, etc.		1,500	1,500	1,500	4,500
Corrections or Word Processing				N/C	
Distribute 1200 copies (1st Revision)					
Print @ $5.00				6,000	6,000
Mail @ $1.00				1,200	1,200
Total		$8,700	$1,500	$8,700	$18,900

First Half $ 8,700
Second Half $10,200

*Also UFRS Task Force Clerical

C. 1975-1977 Biennium

1. First Year

Cost details of the tasks defined for the first year of the next biennium are illustrated, by quarter, in Figure VII-2 on the following two pages.

The $367,000 requested can also be distributed to the following categories:

Salaries (5 people)	$ 74,000
Systems and Programming Services	79,500
Publications, material and mailing	47,000
Workshops	35,000
Pilot Districts Reimbursement	50,000
Contracted Services	80,000
Misc.	1,500
	$367,000

2. Second Year

Cost details of the tasks defined for the second year of the next biennium are illustrated, by quarter, on pages VII - 6,7.

Salaries (8 people)	$123,500
Systems and Programming Services	62,500
Publications, material and mailing	15,600
Workshops	60,000
Pilot District Reimbursement	20,000
Contracted Services	50,000
Misc.	1,000
	$332,600

1975-1976 BUDGET REQUEST

Figure VII-2

TASK/DESCRIPTION	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	TOTAL
1. TASK FORCE					
Clerical (1) Also for Tasks II, VIII	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 6,000
2. PRELIMINARY MANUAL				N/C	
Typing Correction Work Processing					
Print @ $5.00				6,000	6,000
Mail @ $1.00				1,200	1,200
(Alternative - may issue updates periodically. Reduce print cost, increase mail cost)					
3. INSTALL MECC REGIONS					
Finance & Accounting Consultant					
1st Region Salary	4,500	4,500	4,500	4,500	18,000
2nd Region Salary		4,500	4,500	4,500	13,500
3rd Region Salary				4,500	4,500
Travel for Training	500	500		500	1,500
TIES FBA Modifications	7,500	7,500	7,500	7,500	30,000
4. INTEGRATE FINANCIAL AND OTHER & SYSTEMS AT SDE 5. DEVELOP SOFTWARE FOR UFRS REPORTS					
EDS - 2 FINANCIAL SYSTEMS ANALYSTS	8,000	8,000	8,000	8,000	32,000
ISD - 2 Programmers		10,000	10,000	10,000	30,000
Data Entry		500	1,500	1,500	3,500
Test & Compiles		1,000	2,000	2,000	5,000
System Analyst/Consultant	3,000	2,000	1,000	1,000	7,000
Data Management (data dictionary)	1,000	1,000	1,000	1,000	4,000

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1975-1976 BUDGET REQUEST

Figure VII-2

TASK/DESCRIPTION	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	TOTAL
6. ESTABLISH FINANCIAL REPORTING CONTROLS					
C/A Directory					
Systems & Programming - either in Task 3 MECC R & D or in Task 4, 5.					
7. OPERATE PILOT PROJECTS					
Reimbursement for Pilot Districts					
Added Costs (contengency funds)					
1st Region (2 districts)	$ 5,000	$15,000			$ 20,000
2nd Region (2 districts)		5,000	$15,000		20,000
3rd Region (1 district)			2,500	$ 7,500	10,000
8. INSERVICE TRAINING (Materials)					
Video Tape Instruction (29 min) (15)	5,800			1,500	7,300
Video Tape Instruction (59 min) (15)	7,000			1,500	8,500
Inservice Workshops (1 - 2 days)					
8/Region @ $2,500	5,000	5,000	10,000	15,000	35,000
Users Manual (Print 3000)	12,000				12,000
Bulletins 1500 ea/mo @ 35¢	1,500	1,500	1,500	1,500	6,000
Charts/Slides 15 sets (100 ea)	5,000			1,000	6,000
Contracted Services (also applies to Task 3 and 7)	25,000	25,000	25,000	5,000	80,000
9, 10, 11, no request					
TOTAL For 1975-1976	$92,300	$92,500	$95,500	$86,700	$367,000

1976-1977 BUDGET REQUEST

Figure VII-3

TASK/DESCRIPTION	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	TOTAL
1. TASK FORCE					
Clerical (1) Also for TAsks II, VIII	$ 1,500	$1,500	$ 1,500	$ 1,500	$ 6,000
2. PRELIMINARY MANUAL					
Complete - transferred to Task VI					
3. INSTALL MECC REGIONS					
Finance & Accounting Consultant					
1st Region Salary	4,500	4,500	4,500	4,500	18,000
2nd Region Salary	4,500	4,500	4,500	4,500	18,000
3rd Region Salary	4,500	4,500	4,500	4,500	18,000
4th Region Salary	4,500	4,500	4,500	4,500	18,000
5th Region Salary		4,500	4,500	4,500	13,500
Travel for Training	500	500			1,000
4. INTEGRATE FINANCIAL AND OTHER & SYSTEMS AT SDE					
5. DEVELOP SOFTWARE FOR UFRS REPORTS					
EDS - 2 FINANCIAL SYSTEMS ANALYSTS	8,000	8,000	8,000	8,000	32,000
ISD - 2 Programmers	10,000	10,000	10,000	10,000	40,000
Data Entry	4,000	1,500	1,500	1,500	8,500
Test & Compiles	3,000	2,000	2,000	2,000	9,000
Systems Analysts/Consultant	2,000	1,000	1,000	1,000	5,000
6. ESTABLISH FINANCIAL REPORTING CONTROL					
C/A Directory (See 4,5) Annual Update Print Postage	2,400	2,400	2,400	2,400	9,600

1976-1977 BUDGET REQUEST

Figure VII-3

TASK/DESCRIPTION	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	TOTAL
7. OPERATE PILOT PROJECTS					
Reimbursements for Pilot Districts					
Added costs (contingency funds)					
4th Region (1 district)	$ 2,500	$ 7,500			$ 10,000
5th Region (1 district)		2,500	$ 7,500		10,000
8. INSERVICE TRAINING					
Bulletins	1,500	1,500	1,500	$ 1,500	6,000
Inservice Workshops	20,000	15,000	15,000	10,000	60,000
Contracted Services	25,000	25,000			50,000
9, 10, 11, no request					
TOTAL For 1976-1977	$98,400	$100,900	$72,900	$60,400	$332,600
GRAND TOTAL For 1975-1977					$703,600

D. 1977-79 Biennium

1. General

Estimating costs related to the UFRS implementation for the biennium after next must necessarily be based on a larger number of assumptions than used in the current year and next biennium. A number of policy questions must be formulated and resolved.

The first regional computer cooperative was largely a voluntary effort by a number of districts with little state financial support (TIES). METRO II has had state support for the development and start up costs of the new systems which, once operational can provide a higher level of service at lower costs to the member districts. The five outstate regions are in effect being subsidized by the current MECC budget (without the UFRS costs enumerated herein) and to a higher level if that portion of the implementation costs are included.

The state cannot depend entirely on voluntary participation by individual districts to implement the UFRS, the following events are likely to happen between now and 1978 because:

a) Some districts, administrators or boards for budgetary or other reasons, will decide that the benefits of implementing the UFRS would never warrent the cost to their district.

b) Some districts administrators or boards will decide, for other than financial reasons, to defer participation in the UFRS for several more years.

c) All districts currently using automated financial accounting and reporting systems and most other districts in the state will be operational but still would not benefit fully because the state reporting standards will not have been changed.

d) The State Department of Education will have to decide whether or not to permit two standards of financial reporting and be able to provide state wide summaries only on the lowest common denominator available (similar to the current status).

The maximum benefits of a new uniform financial reporting standard to most of the districts, the State Department of Education and the state as a whole will occur only when all districts in all regions can report on the UFRS basis.

The Department of Education should consider financial subsidies for operation and maintenance of the mandatory UFRS. The financial support could be granted either to the district, the region or both. As the cost of operating an automated financial management system does not vary directly with pupil count, a formula including the fixed costs of maintaining files and a variable component based on transactions or activity could be developed. This aid should not be based on still another complex reporting and verification system. To insure that such financial support would be both equitable and simple to administer, any proposed formula/method should have the endorsement of State Aid, Statistics and Research; Education Data Systems; MECC; TIES and METRO II; and the Reporting Standards Committee.

2. Estimated Costs for the 1977-79 Biennium

The entire philosophy of funding and budgeting for the regional processing centers, districts costs and possible state financial support must be thoroughly reviewed long before this biennium. The costs indicated below are based on the tasks planned for this biennium on the same basis as the first biennium.

Most of the one-time costs related to the development of the regions and initial pilot projects fall in the first biennium and are therefore declining in this period. That part of the total operating cost represented by processing an ever increasing number of districts will increase, as will the total salaries (12 month payroll for all personnel).

The incremental costs for development of the UFRS are estimated as follows:

	1977-78	1978-79	TOTAL
Salaries (8 people)	$132,000	$140,000	$172,000
Systems and Programming	50,000	50,000	100,000
Publications, material and mailing	10,000	10,000	20,000
Workshops	25,000	25,000	50,000
Contracted Services	40,000	30,000	70,000
Production of State Reports	-0-	35,000	35,000
	$257,000	$290,000	$547,000

E. UFRS Operational Costs (Regional Processing)

Cost determination (or pricing) of on-going operational costs for a system like UFRS is difficult because:

1. Existing administrative processing centers (TIES, the METRO II districts, Duluth and Rochester) run many programs and applications. These costs are not readily identifiable by application (such as financial processing), are not collected, accounted for or "billed" to ultimate users.

2. Commercial service bureaus who must price their services are not known to provide service comparable to the UFRS, at least in Minnesota.

The best estimate of a state wide average cost is based on the following assumptions.

1. A federally funded project in Texas (now defunct because of the sudden withdrawal of federal support) was charging a reported $2.00/ pupil for a very similar financial accounting service.

2. TIES current charges are a flat $8.00 per pupil which covers all functional areas, whether a particular district utilizes all available capabilities or not. Assuming that approximately 20% of the total cost is related to the Financial Budgeting and Accounting application, a cost of $1.60 per pupil is indicated.

Based on a cost of $2.00 per pupil (which is not a good unit of measure for an individual district, but may average out on a state wide population) and an estimated 850,000 pupils, a total operating cost of $1,700,000 annually is derived.

It is likely that more than half of this cost for some kind of automated financial accounting and reporting system will be incurred for the various districts in the state with or without UFRS. A further extension of the assumptions made to date indicated that the incremental operating cost of the UFRS would be approximately $850,000 (or $1.00 per pupil) annually.

No offsetting benefits to these gross cost estimates will be attempted as cost reductions or other benefits are even less tangible than the estimates of out-of-pocket cost for the services. However, at least 35 districts have already made independent decisions regarding the cost/benefit ratio for systems with less over-all capability without the benefit of a new uniform reporting standard represented by the UFRS.

F. Summary

The school districts in Minnesota already have spent, and likely will continue to spend, unknown (but substantial) amounts developing, installing and operating automated financial management systems. The State Department has spent, and likely will continue to spend, increasing amounts automating unmatched fragments of financial reports from Minnesota school districts.

The Implementation Plan has brought visibility to the cost and work needed to coordinate efforts that will integrate financial accounting and reporting in elementary, secondary and vocational education in Minnesota.

APPENDIX A

Membership and Activities of the State Reporting Standards Committee.

Preface - In late 1972, a group of business officials from local school districts and several people from State agencies was formed, under the sponsorship of the Assistant Director of Intergovernmental Services, Mr. Al Hauer. The group was initially called the "State-Wide Program Budgeting Reporting Standards Committee", a title which was later shortened to State Financial Reporting Standards Committee. On January 12, 1973, the Commissioner of Education, Mr. Howard B. Casmey, formally recognized the existence of this committee, gave his agreement to the validity of its efforts, and offered the cooperation of his department in achieving its objectives.

Membership - Initially, the committee had the following membership.

NAME	POSITION	AGENCY
Ray Browne	Director of Business Affairs	St. Paul Public Schools
Marvin Christenson	Inf. System Manager	Dept. of Administration Inf. Systems Div.
Bernard J. Carlson	Director of Budget/ Accounting	Minneapolis Public Schools
Roger Daas	Assistant Business Manager	Independent School Dist. 191 Burnsville
Walter James (Staff)	Inf. Systems Manager	Department of Admin. Inf. Systems Div.
Don Klassy	Manager of Financial Affairs	Osseo Public Schools
Ronald Laliberte	Administrative Services Director	Minnesota Department of Education
Gerry Mussak	Project Manager	TIES
Phil Teschendorf	Budget Director	Independent School Dist. 709 Duluth, Minnesota
Duane Sours	Manager of Financial Services	Independent School Dist. 281 Robbinsdale, Minnesota

In addition, Mr. Hauer sat with the committee and acted as its chairman/coordinator.

Activities - During the early period of its existence, the committee wrote a mission statement, which defined in general terms the goals and objectives of the group's effort. Paraphrased, the mission of the committee was stated as follows: "To provide a proposal for a reporting format which will include standard definitions of the major categories of expense, definition of programs, and classifications and definitions of expenditure accounts. Standard account code structures will be developed, with these structures being oriented toward program budgeting and accounting. Counterpart structures and definitions for revenues will be developed and the committee will propose a set of general ledger accounts and definitions."

Since this mission statement was first articulated, it has been expanded to include the development of modified accrual systems of accounting and reporting, the writing of a Uniform Financial Reporting System manual, and the writing of a new State Educational Accounting Manual.

For about a year, the committee met periodically. At these meetings, the usual procedure was for designated members to submit written material covering assigned sections of the proposed manual. The materials were then discussed in detail by the members, and consensus reached on the contents' acceptability.

After a number of months, it became apparent that progress toward the committee's goals was not very satisfactory for several reasons: (1) All of the members served on a volunteer basis with primary responsibilities to their jobs in their home districts or agencies. (2) Several changes in personnel (actually net reductions in effective membership) occurred because the individuals concerned took new positions in state or local agencies. (3) The committee structure was not ideally suited to accomplishment of its

work. (4) The committee had no access to any kind of staff time or services on a regular or continuing basis which meant that progress toward producing any kind of tangible documentation of its efforts was minimal. During the late summer or fall of 1973, the committee effectively ceased to operate.

In February 1974, Mr. Dan Magraw, of the State Department of Administration called a meeting of the committee including several people not previously members of the group. At that meeting, plans were drawn for continuation of committee efforts. Also, the Department of Education's full-time consultant, Mr. Ron Moir, was made available for the purpose of documenting all committee action and writing a manual for the Uniform Financial Reporting system. Under this restructured organization, the group made substantial progress. Since October 1974, the initial draft of the UFRS Manual has been ready for publication and submission to various interested groups.

Future Efforts - It is expected that the committee will continue its existence for several years, carrying on in its role as a "sounding board" to react to various future proposals, as a medium for coordinating the necessary efforts in at least two revisions of the draft manual, assisting in production of a new State Accounting Manual for schools, helping in the installation of new standards and procedures at the school districts, and assisting in the needed coordination with the state-wide educational computer consortium. A great deal of in-service training in new methods will be needed, and it is anticipated that the committee will assist in this work. Efforts will also be needed in the area of development of auditing and reporting standards in coordination with the State Auditor and with public accounting and auditing groups.

Present Membership - The committee, as of October 1974, has the following membership:

NAME	
Leo Bernat	State Dept. of Education
Raymond Browne	Independent School Dist. 625
Frank Janda	Independent School Dist. 625
Bernard J. Carlson	State of Minnesota/Dept. of Finance
Marvin Christenson	Dept. of Adm./Inf. Systems Dive.
Roger Daas	Independent School Dist. 191
Richard Greer	Roseville Independent Schools 623
Donald Klassy	Osseo School District
Joe Malinski	Hennepin Vocational Tech.
Ronald Moir	Consultant to Dept. of Education
Ray Peterson	Independent School Dist. 477
Duane Sours	Robbinsdale School Dist. 281
Philip Teschendorf	Independent School Dist. 709
Don Wahlund	Minneapolis Public Schools

GLOSSARY

AVTI	Area Vocational Technical Institute. Post Secondary public schools offering vocational training. May be associated with an elementary/ secondary district or may independently serve many districts (currently 3 "umbrella" AVTI's in Minnesota).
C/A	Chart of Accounts. A listing and/or description of financial accounts upon which financial reporting is based.
CDS File	The County/District/School file is a computer directory at the state level used to associate schools within a district and districts within a county. Also associates school districts to state legislative and U.S. Congressional districts. The CDS file will also be used to correlate statistical data with finance data (i.e. to compute $/pupil in a school).
EDP	Electronic Data Processing. The use of digital computers for processing quantitative (numeric) data according to detailed instructions (software) created by programmers and system analysts.
EDS	Education Data Systems section of the State Department of Education. Responsible for providing all computer related service to the Department of Education. Performs analysis, data collection and develops information system requirements. Works very closely with the Information Service Division of the Department of Administration who program and operate the state's computing systems.
ESV	Elementary Secondary and Vocational. General types of instruction in public schools under jurisdiction of the Department of Education.
Handbook II (Revised)	The 1973 version of the federal office of educations guidelines on financial accounting and reporting from school districts.
ISD	Information Systems Division of the Department of Administration. Operates computers used to process data for the Department of Education (and all other state departments). The division works very closely with EDS (Education Data System) section of the State Department of Education.
MECC	Minnesota Education Computer Consortium is a joint power agency formed July 1, 1973. Consists of the Community College System, the State College System, the University of Minnesota System, the State Department of Administration and the State

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